

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Mason	County Mason
Fiscal Year End 12/31/2006	Opinion Date 06/26/2007	Date Audit Report Submitted to State 06/28/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe) Single Audit Report		<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Layton and Richardson, P.C.			Telephone Number 517-332-1900	
Street Address 1000 Coolidge Road			City East Lansing	State MI
			Zip 48823	
Authorizing CPA Signature 		Printed Name Vickie L. Crouch		License Number 1101013436

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of Mason County
Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mason, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Mason, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Mason County Road Commission. The Mason County Road Commission represents 96% of the assets and 99% of the revenues of the component unit fund type. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mason County Road Commission is based solely on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mason, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2007, on our consideration of the County of Mason, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 and the required supplementary information on pages 68 through 71 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mason Michigan's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Mason, Michigan. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Certified Public Accountants

East Lansing, Michigan
June 26, 2007

As management of the County of Mason, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2006. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative office. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- * The assets of the County primary government exceeded its liabilities at the close of fiscal year by \$32,609,119.60 (*net assets*). Of this amount \$15,684,103.39 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The County's total net assets decreased by \$1,011,154.12 compared to 2005.
- * As of the close of the current fiscal year, the County's governmental funds (this includes the general fund, special revenue funds, debt service and capital projects funds) reported combined ending fund balances of \$18,639,817.88 an increase of \$2,641,860.43 in comparison with the prior year. Of the fund balance amount, \$15,912,030.01 is *available for spending* at the government's discretion (*unreserved fund balance*.)
- * The general fund had an excess of revenues over expenditures and other financing uses of \$271,396.26 for 2006. At the end of the year, unreserved fund balance for the general fund was \$1,780,017.90 or approximately 19% of total general fund expenditures and net operating transfers out. Total fund balance for the general fund was \$1,881,801.25.
- * The County's total bonded debt decreased by \$522,000.00 during the current fiscal year.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole (government-wide financial statements) and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements providing information about the County's most significant funds.

The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Reporting the County as a Whole

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's *net assets* and changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health or *financial position*. Over time, *increase or decreases* in the County's net assets are an indicator of whether its *financial health* is improving or deteriorating. During 2006, the net assets of the County decreased by \$1,011,154.12.

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental activities. All of the County's basic services are considered to be governmental activities, including legislative, judicial, general government administration, public safety, public works, health and welfare, recreation and cultural, and other activities. Property taxes, intergovernmental revenue, and charges for services finance most of these activities.

Business-type activities. Other functions of the County that are intended to recover all or a significant portion of their costs through user fees and charges are considered to be business-type activities. These include delinquent tax collections, airport, and the sewer system.

Component units. The County includes two legally separate entities in its financial statements: the Mason County Drain Commission and the Mason County Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Financial Statements for these *component units* are reported separately from the financial information presented for the primary government itself. The Mason County Department of Public Works and the Mason County Building Authority, although legally separate, function for all practical purposes as departments of the County, and therefore have been included as an integral part of the primary government.

The government-wide statement of Net Assets and Statement of Activities can be found on pages 12-15 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statement. The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two primary kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the County's general governmental operations and the basic services it provides.

Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 44 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund, jail operations, state revenue sharing reserve and the medical care facility, each of which are considered to be major funds. Data for the other 40 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for delinquent tax operations, airport, public works and park operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for payroll fringe benefits and insurance costs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the public works and airport operations. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for certain amounts on behalf of others. Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are *not* available to support the County's own programs. Amounts held by the County's fiduciary funds are reported in a separate Combining Balance Sheet of Fiduciary Funds. The accounting used in fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Additional Information

The notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental, enterprise and internal service funds are presented as listed in the table of contents.

Mason County's Net Assets

	Governmental Activities	Governmental Activities	Business- type Activities	Business- type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
Current and other assets	\$26,453,133.39	\$29,704,203.64	\$6,262,453.76	\$5,941,770.35	\$32,715,587.15	\$35,645,973.99
Capital assets	17,161,189.95	17,030,069.08	3,337,906.54	2,431,286.88	20,499,096.49	19,461,355.96
Total Assets	43,614,323.34	46,734,272.72	9,600,360.30	8,373,057.23	53,214,683.64	55,107,329.95
General obligation bonds and notes	2,043,417.00	2,549,286.09	4,399,000.00	4,508,000.00	6,442,417.00	7,057,286.09
Other liabilities	13,927,323.69	14,146,695.35	235,823.35	283,074.79	14,163,147.04	14,429,770.14
Total liabilities	15,970,740.69	16,695,981.44	4,634,823.35	4,791,074.79	20,605,564.04	21,487,056.23
Net Assets:						
Invested in capital assets, net of related debt	14,585,074.74	14,001,289.79	2,185,494.22	1,206,251.61	16,770,568.96	15,207,541.40
Restricted	154,447.25	2,545,164.12	0.00	0.00	154,447.25	2,545,164.12
Unrestricted	\$12,904,060.66	\$13,491,837.37	\$2,780,042.73	\$2,375,730.83	\$15,684,103.39	\$15,867,568.20
Total Net Assets	\$27,643,582.65	\$30,038,291.28	\$4,965,536.95	\$3,581,982.44	\$32,609,119.60	\$33,620,273.72

A portion of the County's net assets, \$16,770,568.96 (51 percent), is its investment in capital assets (i.e. land, buildings, vehicles, equipment, and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The County used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's assets, \$154,447.25 (1 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$15,684,103.39 (48 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Mason County's Changes in Net Assets

	Governmental Activities	Governmental Activities	Business- type Activities	Business- type Activities	Total	Total
Revenues	2006	2005	2006	2005	2006	2005
Program revenues:						
Charges for services	\$ 8,542,146.10	\$ 7,150,271.54	\$ 679,572.23	\$ 478,239.39	\$ 9,221,718.33	\$ 7,628,510.93
Operating grants and contributions	1,415,669.50	1,773,397.70	23,372.08	22,625.44	1,439,041.58	1,796,023.14
Capital grants and contributions	28,603.56	106,778.00	1,625,918.31	1,078,846.42	1,654,521.87	1,185,624.42
General revenues:						
Property taxes and special assessments	11,967,077.64	11,192,196.07	0.00	0.00	11,967,077.64	11,192,196.07
State shared revenue	0.00	0.00	0.00	0.00	0.00	0.00
Investment earnings	741,018.41	483,701.56	93,616.54	45,519.53	834,634.95	529,221.09
Gain (Loss) on sale of fixed assets	37,500.00	(33,347.00)	0.00	0.00	37,500.00	(33,347.00)
Other revenues	1,274,159.95	1,755,030.71	121,177.13	112,454.23	1,395,337.08	1,867,484.94
Transfers	(40,650.00)	(182,643.18)	40,650.00	182,643.18	0.00	0.00
Total revenues	23,965,525.16	22,245,385.40	2,584,306.29	1,920,328.19	26,549,831.45	24,165,713.59
Expenses						
Legislative	294,772.04	295,384.10	0.00	0.00	294,772.04	295,384.10
Judicial	1,673,116.20	1,632,492.40	0.00	0.00	1,673,116.20	1,632,492.40
General government administration	2,960,465.96	2,868,423.71	0.00	0.00	2,960,465.96	2,868,423.71
Public safety	4,816,327.35	4,621,938.86	0.00	0.00	4,816,327.35	4,621,938.86
Public works	36,021.05	33,420.92	0.00	0.00	36,021.05	33,420.92
Health and welfare	9,067,531.14	8,503,963.72	0.00	0.00	9,067,531.14	8,503,963.72
Parks, recreation, and cultural	916,205.88	908,711.26	0.00	0.00	916,205.88	908,711.26
Miscellaneous	612,389.74	89,170.64	0.00	0.00	612,389.74	89,170.64
Interest on long-term debt	108,864.66	129,410.67	0.00	0.00	108,864.66	129,410.67
Delinquent tax collections and other Business-type activities	0.00	0.00	1,229,728.46	1,008,095.61	1,229,728.46	1,008,095.61
Total Expenses	20,485,694.02	19,082,916.28	1,229,728.46	1,008,095.61	21,715,422.48	20,091,011.89
Increase in net assets	3,479,831.14	3,162,469.12	1,354,577.83	912,232.58	4,834,408.97	4,074,701.70
Net assets, beginning of year	30,038,291.28	26,853,488.09	3,581,982.44	2,706,572.54	33,620,273.72	29,560,060.63
Prior Period adjustment	(5,874,539.77)	22,334.07	28,976.68	(36,822.68)	(5,845,563.09)	(14,488.61)
Total Net Assets, end of year	\$27,643,582.65	\$30,038,291.28	\$4,965,536.95	\$3,581,982.44	\$32,609,119.60	\$33,620,273.72

The County's net assets decreased by \$1,011,154.12 during the current fiscal year - \$2,394,708.63 decrease for governmental activities and a \$1,383,554.51 increase for business-type activities.

Governmental activities. Governmental activities decreased the County's net assets by \$2,394,708.63 accounting for the decrease in the net assets of the County. Key elements of this decrease are as follows:

- Property tax revenues increased by \$774,881.57 (approximately 7 percent) during the year. This increase is the product of increased taxable values.
- The increase in governmental net assets reflects a \$1,644,233.25 contribution from the phase in of the Revenue Sharing Reserve Fund.
- Recording of the unfunded liability for retiree health insurance requirements resulted in a decrease in net assets of \$5,813,753.00.

Business-type activities. Net assets of the County's business-type activities increased \$1,383,554.51. This increase in net assets reflects the receipt of over \$900,000.00 in local, state and federal grant funds for airport and sewer projects and a net income of over \$300,000.00 in the Delinquent Tax Revolving and Delinquent Tax Foreclosure Funds.

As noted earlier, Mason County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the year ended December 31, 2006, the County's governmental funds reported combined ending fund balances of \$18,639,817.88 an increase of \$2,641,860.43 comparison with the prior year. Of the fund balance amount, \$15,912,030.01 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the year, unreserved fund balance of the general fund was \$1,780,017.90, while total fund balance was \$1,881,801.25.

As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 19 percent of the total general fund expenditures.

The fund balance of the County's general fund increased by \$271,658.41 during the current fiscal year. This is primarily attributable to investment income, delinquent personal taxes, property tax collections, state survey/remonumentation grant, reimbursements for special elections, and charges for services in the Register of Deeds Office and District Court being higher than budgeted amounts and several departments keeping their expenditures under budgeted amounts.

The fund balance of the Building Authority Operations Fund increased by \$237,935.13 due to positive operations.

The continued phase in of the Revenue Sharing Reserve Fund increased the fund balance by \$1,644,233.25.

The Ambulance Fund added \$195,000.18 to the fund balance due to a reimbursement from the local hospital.

The Public Improvement Fund added \$368,863.80 as the County earmarked funds for future construction projects.

Proprietary funds. The County's proprietary funds provide the same type of information in the government-wide financial statements, but in more detail.

Unrestricted net assets of the delinquent tax foreclosure, delinquent tax revolving, airport, public works operation and maintenance, and park operations funds at the end of the year amounted to \$122,236.68, \$1,033,783.01, \$1,777,748.94, \$1,952,488.66, and \$79,279.66, respectively. Construction and operation of a regional sewer project with the use of grant and bond proceeds from U.S. Rural Development resulted in the increased activity in the public works operation and maintenance fund. Construction at the Airport using federal and state grants resulted in the increased activity in the Airport Fund. Other factors concerning the finances of the delinquent tax fund have already been addressed in the discussion of the County's business-type activities.

The fund balance of the Jail Construction Fund decreased by \$157,064.48 due to the completion of the addition to the Mason County Jail.

The fund balance of the Drug Law Enforcement Fund decreased by \$138,205.58 due to a change in fiduciary by the SSCENT Team.

General Fund Budgetary Highlights

Revenues in the general fund (including transfers in) increased by \$335,000.00 from the original to the final budget. This increase is primarily attributable to investment income, delinquent personal taxes, property tax collections, state survey/remonumentation grant, reimbursements for special elections, and charges for services in the Register of Deeds Office and District Court being higher than budgeted amounts and several departments keeping their expenditures under budgeted amounts.

The revised budget was also supported by net expenditure (including transfers out) savings of \$265,250.00 as a result of expenditure savings in several departments including contingency.

Expenditure savings and additional revenue provided the funds to support year end general fund appropriations of \$303,000.00 to the Self Insurance Health Fund for partial funding of the liability for retiree health benefits, \$175,000.00 to the Public Improvement Fund to be used toward future projects and \$10,000.00 to the Equipment Replacement Fund. Budget overruns were the result of year-end accruals being higher than estimated.

Capital Asset and Debt Administration

Capital Assets. As of December 31, 2006, the County's investment in capital assets for its governmental activities amounted to \$17,161,189.95 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 1 percent. The County's business-type activities' net capital assets increased by \$906,619.66.

Major capital asset events during the current fiscal year included the following:

- * The addition of land to the Medical Care Facility at a net cost of \$562,500.00.
- * Costs to complete the addition to the Mason County Jail in the amount of \$183,641.50.

Mason County's Capital Assets

	<u>Governmental</u>	<u>Activities</u>
	<u>2006</u>	<u>2005</u>
Land and Improvements	\$ 1,158,678.61	\$ 580,941.69
Buildings and Improvements	20,787,356.71	20,603,715.21
Equipment and Vehicles	2,842,654.45	2,610,131.56
Subtotal	24,788,689.77	23,794,788.46
Less: Accumulated Depreciation	(7,627,499.82)	(6,764,719.38)
Total	<u>\$17,161,189.95</u>	<u>\$17,030,069.08</u>

Long-term debt. At December 31, 2006, the County had total bonded debt outstanding of \$6,979,000.00. Governmental fund debt accounts for \$2,475,000.00 and business-type debt accounts for \$4,504,000.00 of the total bonded debt outstanding.

Mason County's Outstanding Debt

	<u>Governmental</u>	<u>Activities</u>	<u>Business-type</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$2,475,000.00	\$2,915,000.00	\$	\$	\$2,475,000.00	\$2,915,000.00
Enterprise Funds Bonds			4,504,000.00	4,586,000.00	4,504,000.00	4,586,000.00
Total	\$2,475,000.00	\$2,915,000.00	\$4,504,000.00	\$4,586,000.00	\$6,979,000.00	\$7,501,000.00

The County's total debt decreased by \$522,000.00 (7 percent) during the year ended December 31, 2006. The County retired \$440,000.00 of general obligation bonds and \$82,000.00 of business-type bonds during 2006.

There were no new borrowings during the year. Debt requirements for general obligation bonds of \$500,000.00 and interest of \$90,887.50 are payable during 2007. Debt requirements for business-type bonds of \$105,000.00 and interest of \$208,947.50 are payable during 2007.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$180,622,480 which is significantly in excess of the County's outstanding general obligation debt.

Economic Factors and next Year's Budgets and Rates

The following factors were considering in preparing the County's budget for 2007:

- * The uncertainty over the State's economy will likely result in additional cuts in state funding.
- * Continued growth in new construction will generate property tax revenue to help cover cost increases.
- * Healthcare costs will continue to increase at a rate higher than inflation and will require new measures to contain cost increases.
- * Strengthening investment earnings will have a positive impact on retirement funds resulting in the stabilization of retirement costs.
- * The completion of the phase in of the Revenue Sharing Reserve Fund will have a negative impact on net assets.
- * The completion of the move from a winter tax levy to a summer tax levy will cause cash flow concerns in the General Fund.

Contacting the County Administrator

This management discussion and analysis is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mason County Administrator, 304 E. Ludington Avenue, Ludington, MI 49431.

BASIC FINANCIAL STATEMENTS - OVERVIEW

The Basic Financial Statements provide information of the governmental activities, business-type activities, aggregate totals of discretely presented component units, major funds and the aggregate remaining funds, which collectively comprise the activities of the County of Mason, Michigan.

MASON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,585,073.30	\$ 773,062.52	\$ 7,358,135.82	\$ 970,090.24
Investments	12,968,323.38	1,174,753.27	14,143,076.65	0.00
Receivables				
Property taxes	5,372,565.34	737,765.71	6,110,331.05	0.00
Accounts (net of allowance for doubtful accounts)	639,255.44	1,755.33	641,010.77	27,195.00
Special assessments	0.00	0.00	0.00	240,162.27
Other	136,967.91	14,540.76	151,508.67	361.06
Due from other governmental units				
Federal/State	308,353.11	0.00	308,353.11	602,265.00
Local	1,363.33	152,939.27	154,302.60	570.00
Due from other funds	37,741.80	0.00	37,741.80	0.00
Inventories	0.00	0.00	0.00	350,830.00
Deposits	241,693.32	0.00	241,693.32	0.00
Prepayments	161,796.46	5,553.81	167,350.27	56,218.00
TOTAL CURRENT ASSETS	26,453,133.39	2,860,370.67	29,313,504.06	2,247,691.57
Noncurrent assets				
Lease receivable	0.00	3,402,083.09	3,402,083.09	0.00
Fixed assets (net of accumulated depreciation)	17,161,189.95	3,337,906.54	20,499,096.49	27,161,530.44
TOTAL NONCURRENT ASSETS	17,161,189.95	6,739,989.63	23,901,179.58	27,161,530.44
TOTAL ASSETS	\$ 43,614,323.34	\$ 9,600,360.30	\$ 53,214,683.64	\$ 29,409,222.01

The accompanying notes to financial statements are an integral part of these financial statements.

MASON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS - Concluded
DECEMBER 31, 2006

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 898,189.75	\$ 52,388.81	\$ 950,578.56	\$ 95,280.00
Accrued liabilities	480,461.64	1,262.59	481,724.23	28,104.00
Accrued interest	26,806.13	50,495.41	77,301.54	0.00
Due to individuals/agencies	75,628.03	528.00	76,156.03	0.00
Due to other governmental units				
Federal/State	0.00	0.00	0.00	0.00
Local	20,070.03	15,964.18	36,034.21	156,569.00
Due to other funds	0.00	10,184.36	10,184.36	0.00
Other current liabilities	4,006.10	0.00	4,006.10	1,000.00
Deferred revenue	3,320,086.49	0.00	3,320,086.49	240,162.27
Bonds and notes payable	505,892.08	105,000.00	610,892.08	15,339.00
TOTAL CURRENT LIABILITIES	5,331,140.25	235,823.35	5,566,963.60	536,454.27
Noncurrent liabilities				
General obligation bonds and notes payable	2,043,417.00	4,399,000.00	6,442,417.00	277,572.00
Accrued post closure	2,139,136.00	0.00	2,139,136.00	0.00
Unfunded Retiree Health Insurance	5,813,753.00		5,813,753.00	0.00
Compensated absences	643,294.44	0.00	643,294.44	216,282.00
TOTAL NONCURRENT LIABILITIES	10,639,600.44	4,399,000.00	15,038,600.44	493,854.00
	15,970,740.69	4,634,823.35	20,605,564.04	1,030,308.27
NET ASSETS				
Investment in capital assets, net of related debt	14,585,074.74	2,185,494.22	16,770,568.96	26,868,619.44
Unrestricted				
Reserved	154,447.25	0.00	154,447.25	1,290,257.00
Unreserved	12,904,060.66	2,780,042.73	15,684,103.39	220,037.30
TOTAL NET ASSETS	27,643,582.65	4,965,536.95	32,609,119.60	28,378,913.74
TOTAL LIABILITIES AND NET ASSETS	\$ 43,614,323.34	\$ 9,600,360.30	\$ 53,214,683.64	\$ 29,409,222.01

The accompanying notes to financial statements are an integral part of these financial statements.

MASON COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental activities:			
Legislative	\$ 294,772.04	\$ 0.00	\$ 0.00
Judicial	1,673,116.20	440,628.46	732,000.59
General government administration	2,960,465.96	786,976.17	131,330.39
Public safety	4,816,327.35	424,331.17	213,894.24
Public works	36,021.05	0.00	0.00
Health and social services	9,067,531.14	6,757,637.26	330,923.39
Parks, recreation, and cultural	916,205.88	132,573.04	0.00
Miscellaneous	612,389.74	0.00	7,520.89
Debt Service			
Interest and fiscal charges	108,864.66	0.00	0.00
TOTAL GOVERNMENTAL ACTIVITIES	\$ 20,485,694.02	\$ 8,542,146.10	\$ 1,415,669.50
Business-type activities			
Parks Operations	\$ 25,014.23	\$ 45,424.70	\$ 23,372.08
Public Works Operations & Maintenance	808,841.59	136,190.63	0.00
Airport Operations	320,440.96	21,646.01	0.00
Delinquent tax Foreclosure	44,594.05	142,432.11	0.00
Delinquent tax collections	30,837.63	333,878.78	0.00
TOTAL BUSINESS-TYPE ACTIVITIES	1,229,728.46	679,572.23	23,372.08
TOTAL PRIMARY GOVERNMENT	\$ 21,715,422.48	\$ 9,221,718.33	\$ 1,439,041.58
COMPONENT UNITS			
Drainage districts	\$ 105,972.98	\$ 5,968.22	\$ 0.00
Road commission	5,331,484.00	426,999.00	5,421,741.00
TOTAL COMPONENT UNITS	\$ 5,437,456.98	\$ 432,967.22	\$ 5,421,741.00

General Revenues:

Taxes:

Property tax and special assessments

Internal service fund activity

State shared revenue

Unrestricted investment earnings

Gain on sale of capital assets

Other revenues

Transfers:

Transfers

Transfers from internal service activities

Total General Revenues and Transfers

Change in Net Assets

Net assets - January 1

Special item - prior period adjustments

Net assets - December 31

The accompanying notes to financial statements are an integral part of these financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
\$ 0.00	\$ (294,772.04)	\$ 0.00	\$ (294,772.04)	\$ 0.00
0.00	(500,487.15)	0.00	(500,487.15)	0.00
0.00	(2,042,159.40)	0.00	(2,042,159.40)	0.00
28,603.56	(4,149,498.38)	0.00	(4,149,498.38)	0.00
0.00	(36,021.05)	0.00	(36,021.05)	0.00
0.00	(1,978,970.49)	0.00	(1,978,970.49)	0.00
0.00	(783,632.84)	0.00	(783,632.84)	0.00
0.00	(604,868.85)	0.00	(604,868.85)	0.00
0.00	(108,864.66)	0.00	(108,864.66)	0.00
\$ 28,603.56	\$ (10,499,274.86)	\$ 0.00	\$ (10,499,274.86)	\$ 0.00
\$ 0.00	\$ 0.00	\$ 43,782.55	\$ 43,782.55	\$ 0.00
682,983.05	0.00	10,332.09	10,332.09	0.00
942,935.26	0.00	644,140.31	644,140.31	0.00
0.00	0.00	97,838.06	97,838.06	0.00
0.00	0.00	303,041.15	303,041.15	0.00
1,625,918.31	0.00	1,099,134.16	1,099,134.16	0.00
\$ 1,654,521.87	\$ (10,499,274.86)	\$ 1,099,134.16	\$ (9,400,140.70)	\$ 0.00
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (100,004.76)
0.00	0.00	0.00	0.00	517,256.00
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 417,251.24
	\$ 11,967,077.64	\$ 0.00	\$ 11,967,077.64	\$ 3,123.00
	(203,025.94)	0.00	(203,025.94)	0.00
	0.00	0.00	0.00	0.00
	741,018.41	93,616.54	834,634.95	75,070.47
	37,500.00	0.00	37,500.00	303,619.37
	1,477,185.89	121,177.13	1,598,363.02	3,600.00
	(414,787.55)	40,650.00	(374,137.55)	0.00
	374,137.55	0.00	374,137.55	0.00
	13,979,106.00	255,443.67	14,234,549.67	385,412.84
	3,479,831.14	1,354,577.83	4,834,408.97	802,664.08
	30,038,291.28	3,581,982.44	33,620,273.72	8,833,355.66
	(5,874,539.77)	28,976.68	(5,845,563.09)	18,742,894.00
	\$ 27,643,582.65	\$ 4,965,536.95	\$ 32,609,119.60	\$ 28,378,913.74

MASON COUNTY, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	GENERAL	MEDICAL CARE FACILITY	JAIL OPERATIONS	REVENUE SHARING RESERVE
ASSETS				
Cash and cash equivalents	\$ 833,062.76	\$ 248,979.15	\$ 310,296.71	\$ 258,003.76
Investments (Net of premiums/discounts)	903,174.14	920,311.88	0.00	2,713,462.05
Receivables				
Property taxes	148,622.04	1,243,410.37	1,001,639.69	2,041,136.90
Accounts (net of allowance for doubtful accounts)	20,974.02	603,185.61	200.00	0.00
Other	19,791.64	6,615.74	1,249.57	31,467.60
Due from state and federal government	170,047.44	0.00	42,481.21	0.00
Due from other units	0.00	0.00	0.00	0.00
Due from other funds	99,589.23	0.00	0.00	0.00
Prepaid expenditures	101,783.35	0.00	25,164.87	0.00
TOTAL ASSETS	\$ 2,297,044.62	\$ 3,022,502.75	\$ 1,381,032.05	\$ 5,044,070.31
LIABILITIES AND EQUITY				
Liabilities				
Accounts payable	\$ 113,216.30	\$ 280,822.10	\$ 57,855.84	\$ 0.00
Accrued liabilities	109,500.10	100,077.65	38,766.79	0.00
Other current liabilities	2,000.00	0.00	0.00	0.00
Due to other governmental units	0.00	0.00	0.00	0.00
Due to other funds	0.00	0.00	0.00	0.00
Due to individuals	41,904.93	11,755.01	16,874.36	0.00
Deferred revenue	148,622.04	1,243,410.37	1,001,639.69	0.00
TOTAL LIABILITIES	415,243.37	1,636,065.13	1,115,136.68	0.00
Equity				
Fund balances				
Reserved for post closure	0.00	0.00	0.00	0.00
Reserved for pre-paid items	101,783.35	0.00	25,164.87	0.00
Reserved for employee benefits	0.00	0.00	0.00	0.00
Unreserved	1,780,017.90	1,386,437.62	240,730.50	5,044,070.31
TOTAL EQUITY	1,881,801.25	1,386,437.62	265,895.37	5,044,070.31
TOTAL LIABILITIES AND EQUITY	\$ 2,297,044.62	\$ 3,022,502.75	\$ 1,381,032.05	\$ 5,044,070.31

The accompanying notes to financial statements are an integral part of these financial statements.

GOVERN- MENTAL OTHER	TOTAL GOVERN- MENTAL FUNDS
\$ 4,095,173.40	\$ 5,745,515.78
6,060,434.83	10,597,382.90
937,756.34	5,372,565.34
12,895.81	637,255.44
62,572.65	121,697.20
95,824.46	308,353.11
1,363.33	1,363.33
27,557.44	127,146.67
27,499.03	154,447.25
<u>\$ 11,321,077.29</u>	<u>\$ 23,065,727.02</u>
\$ 190,525.18	\$ 642,419.42
26,749.66	275,094.20
2,006.10	4,006.10
20,070.03	20,070.03
89,404.87	89,404.87
5,093.73	75,628.03
925,614.39	3,319,286.49
<u>1,259,463.96</u>	<u>4,425,909.14</u>
2,025,629.05	2,025,629.05
27,499.03	154,447.25
547,711.57	547,711.57
7,460,773.68	15,912,030.01
<u>10,061,613.33</u>	<u>18,639,817.88</u>
<u>\$ 11,321,077.29</u>	<u>\$ 23,065,727.02</u>

MASON COUNTY, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances for governmental funds \$ 18,639,817.88

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Land and land improvements	\$	1,158,678.61	
Buildings and improvements		20,787,356.71	
Vehicles and equipment		2,842,654.45	
Accumulated Depreciation		<u>(7,627,499.82)</u>	17,161,189.95

Internal service funds are used by management to charge
costs of certain activities, such as insurance, to individual
funds. The assets and liabilities of the internal service
funds are included in governmental activities in
the Statement of Net Assets.

	\$	3,063,337.81	
Less: net capital assets included above		<u>(48,464.34)</u>	3,014,873.47

Accrued vacation and sick time earned by eligible employees is not payable
in the current period and therefore is not reported in the funds. However,
these amounts are included in the Statement of Net Assets.

(643,294.44)

Retiree Health Insurance earned by eligible employees is not payable
in the current period and therefore is not reported in the funds. However,
these amounts are included in the Statement of Net Assets.

(5,813,753.00)

Accrued post closure care for landfills is not payable in the current period
and therefore is not reported in the funds. However, these amounts
are included in the Statement of Net Assets

(2,139,136.00)

Long-term bonded debt is not due and payable in the current period and
therefore not reported in the funds. Unamortized premiums, loss on
refundings, and interest payable are not reported in the funds. However,
these amounts are included in the Statement of Net Assets. This is the
net effect of these balances on the statement.

Bonds and notes payable	\$	(2,549,309.08)	
Accrued interest payable		<u>(26,806.13)</u>	<u>(2,576,115.21)</u>

Net assets of governmental activities \$ 27,643,582.65

The accompanying notes to financial statements are an integral part of these financial statements.

MASON COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	GENERAL	MEDICAL CARE FACILITY	JAIL OPERATIONS
REVENUES			
General property taxes	\$ 6,697,771.14	\$ 1,219,747.34	\$ 983,546.32
Permits and regulatory licenses	103,965.97	0.00	0.00
Intergovernmental			
Federal/State	989,591.65	0.00	0.00
Charges for services	789,515.09	6,727,947.31	269,950.71
Fines and forfeitures	430.00	0.00	0.00
Interest and rents	216,826.35	75,251.59	22,182.28
Miscellaneous	203,188.97	0.00	642.00
TOTAL REVENUES	<u>9,001,289.17</u>	<u>8,022,946.24</u>	<u>1,276,321.31</u>
EXPENDITURES			
Current			
Legislative	291,768.98	0.00	0.00
Judicial	1,278,055.32	0.00	0.00
General government administration	2,185,859.92	0.00	0.00
Public safety	1,810,264.52	0.00	2,322,281.63
Public works	27,705.85	0.00	0.00
Health and social services	404,620.67	7,570,214.69	0.00
Parks, recreation, and cultural	495.20	0.00	0.00
Miscellaneous	12,829.45	0.00	0.00
Capital outlay	0.00	0.00	0.00
Debt service			
Principal retirement	0.00	0.00	0.00
Interest and fiscal charges	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>6,011,599.91</u>	<u>7,570,214.69</u>	<u>2,322,281.63</u>
Excess (deficiency) of revenues over expenditures	<u>2,989,689.26</u>	<u>452,731.55</u>	<u>(1,045,960.32)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	647,307.00	200,000.00	1,144,500.00
Transfers out	<u>(3,365,600.00)</u>	<u>(606,360.87)</u>	<u>(93,626.68)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,718,293.00)</u>	<u>(406,360.87)</u>	<u>1,050,873.32</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	271,396.26	46,370.68	4,913.00
FUND BALANCE, JANUARY 1	1,610,142.84	1,340,066.94	260,982.37
PRIOR PERIOD ADJUSTMENT	<u>262.15</u>	<u>0.00</u>	<u>0.00</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,881,801.25</u>	<u>\$ 1,386,437.62</u>	<u>\$ 265,895.37</u>

The accompanying notes to financial statements are an integral part of these financial statements.

REVENUE SHARING RESERVE	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
\$ 2,041,136.90	\$ 1,024,875.94	\$ 11,967,077.64
0.00	0.00	103,965.97
0.00	454,681.41	1,444,273.06
0.00	465,733.43	8,253,146.54
0.00	184,603.59	185,033.59
118,093.35	1,194,194.25	1,626,547.82
0.00	462,825.51	666,656.48
<u>2,159,230.25</u>	<u>3,786,914.13</u>	<u>24,246,701.10</u>
0.00	0.00	291,768.98
0.00	367,794.84	1,645,850.16
0.00	750,869.30	2,936,729.22
0.00	340,515.06	4,473,061.21
0.00	0.00	27,705.85
0.00	772,399.16	8,747,234.52
0.00	814,592.42	815,087.62
0.00	187,832.07	200,661.52
0.00	1,429,638.53	1,429,638.53
0.00	445,581.25	445,581.25
0.00	115,947.49	115,947.49
<u>0.00</u>	<u>5,225,170.12</u>	<u>21,129,266.35</u>
<u>2,159,230.25</u>	<u>(1,438,255.99)</u>	<u>3,117,434.75</u>
0.00	2,257,972.13	4,249,779.13
(514,997.00)	(83,982.13)	(4,664,566.68)
<u>(514,997.00)</u>	<u>2,173,990.00</u>	<u>(414,787.55)</u>
1,644,233.25	735,734.01	2,702,647.20
3,399,837.06	9,386,928.24	15,997,957.45
0.00	(61,048.92)	(60,786.77)
<u>\$ 5,044,070.31</u>	<u>\$ 10,061,613.33</u>	<u>\$ 18,639,817.88</u>

MASON COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2006

Net change in fund balance - total governmental funds \$ 2,702,647.20

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Land and land improvements	577,736.92	
Buildings and improvements	221,141.50	
Vehicles and equipment	232,522.89	
Depreciation expense	<u>(862,780.44)</u>	168,620.87

Governmental funds report sales of fixed assets as miscellaneous income.

However, in the Statement of Activities, the cost and accumulated depreciation is considered. This is the amount of the book value of fixed assets that were sold. (37,500.00)

Internal service funds are used by management to charge costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities in the Statement of Activities.

	171,111.61	
Add: depreciation expense included above	<u>5,027.68</u>	176,139.29

Estimates for accrued interest payable, accrued vacation and sick time, and accrued post closure care for landfills change on an annual basis. These changes either reduce or increase the governmental activities expenses on the Statement of Activities

24,342.53

Bond proceeds provide current financial resources to the governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.

Bond proceeds	0.00	
Repayment of bond principal	<u>445,581.25</u>	<u>445,581.25</u>

Changes in net assets of governmental activities \$ 3,479,831.14

The accompanying notes to financial statements are an integral part of these financial statements.

MASON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2006

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>	
	PUBLIC WORKS	AIRPORT
ASSETS		
Current assets		
Cash and cash equivalents	\$ 203,601.66	\$ 141,300.84
Investments (net of premiums & discounts)	1,174,753.27	0.00
Receivables		
Property taxes	0.00	0.00
Accounts (net of allowance for doubtful accounts)	718.59	1,036.74
Leases receivable	3,402,083.09	0.00
Other	12,661.57	519.39
Due from other governmental units		
Local	135,625.24	0.00
Deposits	0.00	0.00
Prepayments	0.00	5,266.31
TOTAL CURRENT ASSETS	<u>4,929,443.42</u>	<u>148,123.28</u>
Noncurrent assets		
Sewer System	1,098,732.25	0.00
Land Improvements	0.00	1,306,600.67
Buildings	0.00	1,209,318.30
Equipment	0.00	439,073.00
Accumulated depreciation	(326,556.52)	(460,995.13)
NET NONCURRENT ASSETS	<u>772,175.73</u>	<u>2,493,996.84</u>
TOTAL ASSETS	<u><u>\$ 5,701,619.15</u></u>	<u><u>\$ 2,642,120.12</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS	INTERNAL SERVICE FUNDS
\$ 428,160.02	\$ 773,062.52	\$ 839,557.52
0.00	1,174,753.27	2,370,940.48
737,765.71	737,765.71	0.00
0.00	1,755.33	2,000.00
0.00	3,402,083.09	0.00
1,359.80	14,540.76	15,270.71
17,314.03	152,939.27	0.00
0.00	0.00	241,693.32
287.50	5,553.81	7,349.21
<u>1,184,887.06</u>	<u>6,262,453.76</u>	<u>3,476,811.24</u>
72,642.00	1,171,374.25	0.00
0.00	1,306,600.67	0.00
0.00	1,209,318.30	0.00
0.00	439,073.00	83,076.78
(908.03)	(788,459.68)	(34,612.44)
<u>71,733.97</u>	<u>3,337,906.54</u>	<u>48,464.34</u>
\$ <u><u>1,256,621.03</u></u>	\$ <u><u>9,600,360.30</u></u>	\$ <u><u>3,525,275.58</u></u>

MASON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Concluded
DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	PUBLIC WORKS	AIRPORT
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 41,621.55	\$ 5,937.76
Accrued liabilities	0.00	1,262.59
Due to other governmental units		
Local	0.00	0.00
Due to other funds	10,184.36	0.00
Accrued interest payable	43,324.58	7,170.83
Other	0.00	0.00
Bonds payable	55,000.00	50,000.00
TOTAL CURRENT LIABILITIES	150,130.49	64,371.18
Noncurrent liabilities		
Bonds payable	3,599,000.00	800,000.00
TOTAL NONCURRENT LIABILITIES	3,599,000.00	800,000.00
TOTAL LIABILITIES	3,749,130.49	864,371.18
Net assets		
Unreserved	1,952,488.66	1,777,748.94
TOTAL NET ASSETS	1,952,488.66	1,777,748.94
TOTAL LIABILITIES AND EQUITY	\$ 5,701,619.15	\$ 2,642,120.12

The accompanying notes to financial statements are an integral part of these financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS	
\$ 4,829.50	\$ 52,388.81	\$ 255,770.33
0.00	1,262.59	205,367.44
15,964.18	15,964.18	0.00
0.00	10,184.36	0.00
0.00	50,495.41	0.00
528.00	528.00	800.00
0.00	105,000.00	0.00
<u>21,321.68</u>	<u>235,823.35</u>	<u>461,937.77</u>
0.00	4,399,000.00	0.00
0.00	4,399,000.00	0.00
<u>21,321.68</u>	<u>4,634,823.35</u>	<u>461,937.77</u>
<u>1,235,299.35</u>	<u>4,965,536.95</u>	<u>3,063,337.81</u>
<u>1,235,299.35</u>	<u>4,965,536.95</u>	<u>3,063,337.81</u>
\$ <u><u>1,256,621.03</u></u>	\$ <u><u>9,600,360.30</u></u>	\$ <u><u>3,525,275.58</u></u>

MASON COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	PUBLIC WORKS	AIRPORT
OPERATING REVENUES		
Charges for services	\$ 136,190.63	\$ 21,646.01
Intergovernmental grants and contributions	183,000.00	942,935.26
Interest on taxes	0.00	0.00
Rentals	29,185.00	74,550.99
Other		
Administrative fees and penalties	0.00	0.00
Miscellaneous	499,983.05	15,349.30
TOTAL OPERATING REVENUES	848,358.68	1,054,481.56
OPERATING EXPENSES		
Personal services and fringe benefits	0.00	59,990.60
Utilities and Telephone	11,780.68	25,250.10
Contractual services	496,449.29	52,350.90
Repairs and Maintenance	0.00	14,904.99
Depreciation	22,314.69	113,527.41
Interest and fees	160,674.53	44,467.94
Other	117,622.40	9,949.02
TOTAL OPERATING EXPENSES	808,841.59	320,440.96
OPERATING INCOME (LOSS)	39,517.09	734,040.60
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	66,161.83	6,873.23
INCOME (LOSS) BEFORE TRANSFERS	105,678.92	740,913.83
TRANSFERS IN (OUT)		
Transfers in	18,000.00	140,650.00
Transfers (out)	0.00	0.00
TOTAL TRANSFERS IN (OUT)	18,000.00	140,650.00
NET INCOME (LOSS)	123,678.92	881,563.83
NET ASSETS, JANUARY 1	1,824,010.89	872,007.28
PRIOR PERIOD ADJUSTMENTS	4,798.85	24,177.83
NET ASSETS, DECEMBER 31	\$ 1,952,488.66	\$ 1,777,748.94

The accompanying notes to financial statements are an integral part of these financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
OTHER ENTERPRISE FUNDS	TOTAL PROPRITARY FUNDS	INTERNAL SERVICE FUNDS
\$ 187,856.81	\$ 345,693.45	\$ 166,528.72
0.00	1,125,935.26	0.00
0.00	0.00	0.00
0.00	103,735.99	15,796.87
216,289.06	216,289.06	0.00
143,053.64	658,385.99	0.00
<u>547,199.51</u>	<u>2,450,039.75</u>	<u>182,325.59</u>
19,818.19	79,808.79	0.00
5,196.04	42,226.82	0.00
13,633.88	562,434.07	0.00
0.00	14,904.99	63,708.52
908.03	136,750.13	0.00
30,837.63	235,980.10	0.00
30,052.14	157,623.56	468,866.36
<u>100,445.91</u>	<u>1,229,728.46</u>	<u>532,574.88</u>
<u>446,753.60</u>	<u>1,220,311.29</u>	<u>(350,249.29)</u>
<u>20,581.48</u>	<u>93,616.54</u>	<u>147,223.35</u>
<u>467,335.08</u>	<u>1,313,927.83</u>	<u>(203,025.94)</u>
0.00	158,650.00	574,137.55
(118,000.00)	(118,000.00)	(200,000.00)
<u>(118,000.00)</u>	<u>40,650.00</u>	<u>374,137.55</u>
349,335.08	1,354,577.83	171,111.61
885,964.27	3,581,982.44	2,892,226.20
(0.00)	28,976.68	0.00
<u>\$ 1,235,299.35</u>	<u>\$ 4,965,536.95</u>	<u>\$ 3,063,337.81</u>

MASON COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	PUBLIC WORKS	AIRPORT
CASH FLOWS FROM OPERATING ACTIVITIES		
Delinquent tax collections	\$ 0.00	\$ 0.00
Delinquent tax disbursements	0.00	0.00
Payments from other funds	10,184.36	0.00
Payments to other funds	(63,088.48)	(5,908.36)
Payments to benefit providers	(168,344.12)	(44,655.44)
Payments from customers	765,808.55	1,054,711.29
Payments to suppliers	(592,793.66)	(103,911.79)
Payments to employees	0.00	(59,594.57)
Other receipts (payments)	58,056.98	30,646.49
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	9,823.63	871,287.62
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Capital acquisitions	(3,614.70)	(967,113.09)
Lease receivable	10,159.98	0.00
Bond payments	(57,000.00)	(25,000.00)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(50,454.72)	(992,113.09)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers in (out)	18,000.00	140,650.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase / maturity of investments	27,172.41	40,910.05
NET INCREASE (DECREASE) IN CASH	4,541.32	60,734.58
CASH AND CASH EQUIVALENTS, JANUARY 1	199,060.34	80,566.26
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 203,601.66	\$ 141,300.84

The accompanying notes to financial statements are an integral part of these financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL PROPRITARY FUNDS	
\$ 3,343,843.25	\$ 3,343,843.25	\$ 0.00
(3,117,649.88)	(3,117,649.88)	0.00
1,395,000.00	1,405,184.36	95,081.08
(1,412,190.76)	(1,481,187.60)	0.00
(801.15)	(213,800.71)	(259,186.73)
330,977.53	2,151,497.37	59,235.66
(58,869.18)	(755,574.63)	(68,476.75)
(19,818.19)	(79,412.76)	(20,458.31)
<u>25,562.98</u>	<u>114,266.45</u>	<u>131,907.87</u>
 486,054.60	 1,367,165.85	 (61,897.18)
 (72,642.00)	 (1,043,369.79)	 0.00
0.00	10,159.98	0.00
<u>0.00</u>	<u>(82,000.00)</u>	<u>0.00</u>
 (72,642.00)	 (1,115,209.81)	 0.00
 (118,000.00)	 40,650.00	 374,137.55
 0.00	 68,082.46	 (236,504.58)
295,412.60	360,688.50	75,735.79
<u>132,747.42</u>	<u>412,374.02</u>	<u>763,821.73</u>
\$ <u>428,160.02</u>	\$ <u>773,062.52</u>	\$ <u>839,557.52</u>

MASON COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS - Concluded
PROPRIETARY FUNDS
DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	PUBLIC WORKS	AIRPORT
Reconciliation of operating income (loss) to net cash provided (used in) by operating activities:		
Operating income (loss)	\$ 105,678.92	\$ 740,913.83
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,314.69	113,527.41
Prior period Adjustment	4,798.85	24,177.83
Change in assets and liabilities:		
Decrease (Increase) in taxes receivables	0.00	0.00
Decrease (Increase) in other receivables	(2,051.77)	(174.84)
Decrease (Increase) in due from other governmental units - Federal	32,000.00	0.00
Decrease (Increase) in due from other units	(72,536.76)	0.00
Decrease (Increase) in prepayments	0.00	392.23
Decrease (Increase) in other assets	520.00	0.00
Increase (Decrease) in accounts payable	(27,400.75)	(1,478.65)
Increase (Decrease) in advance to other funds	0.00	(5,908.36)
Increase (Decrease) in due to other funds	(52,904.12)	0.00
Increase (Decrease) in due to other governmental units	0.00	0.00
Increase (Decrease) in other liabilities	(595.43)	(161.83)
Total adjustments	(95,855.29)	130,373.79
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 9,823.63	\$ 871,287.62

The accompanying notes to financial statements are an integral part of these financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
OTHER ENTERPRISE FUNDS	TOTAL PROPRITARY FUNDS	INTERNAL SERVICE FUNDS
\$ <u>467,335.08</u>	\$ <u>1,313,927.83</u>	\$ <u>(203,025.94)</u>
908.03	136,750.13	5,027.68
0.00	28,976.68	0.00
16,509.84	16,509.84	0.00
4,326.92	2,100.31	(2,316.40)
0.00	32,000.00	0.00
(17,314.03)	(89,850.79)	0.00
91.06	483.29	20,129.38
0.00	520.00	51,840.17
2,767.54	(26,111.86)	35,014.09
0.00	(5,908.36)	0.00
0.00	(52,904.12)	0.00
11,430.16	11,430.16	0.00
(0.00)	(757.26)	31,433.84
<u>18,719.52</u>	<u>53,238.02</u>	<u>141,128.76</u>
\$ <u><u>486,054.60</u></u>	\$ <u><u>1,367,165.85</u></u>	\$ <u><u>(61,897.18)</u></u>

MASON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

ASSETS	
Cash and cash equivalents	\$ 504,624.31
Interest receivable	55.78
TOTAL ASSETS	\$ 504,680.09
LIABILITIES AND NET ASSETS	
LIABILITIES	
Bonds payable	\$ 14,250.00
Resituiton payable	15,279.14
Undistributed taxes	279,188.63
Due to other units	4,218.36
Due to other funds	27,557.44
Other current liabilities	47,522.36
Due to State of Michigan	116,664.16
Due to federal government	0.00
TOTAL LIABILITIES	504,680.09
NET ASSETS	
Net assets	
Reserved	
Unreserved	0.00
Designated for capital expenditures	0.00
Undesignated	0.00
TOTAL NET ASSETS	0.00
TOTAL LIABILITIES AND NET ASSETS	\$ 504,680.09

The accompanying notes to financial statements are an integral part of these financial statements.

MASON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006

	DRAIN	DRAIN REVOLVING
ASSETS		
Cash and cash equivalents	\$ 93,444.16	\$ 122,532.08
Receivables		
Accounts receivable	4,785.00	0.00
Interest receivable	361.06	0.00
Special assessments	240,162.27	0.00
Other	0.00	0.00
Due from other governmental units		
Federal/State	0.00	0.00
Local	0.00	0.00
Prepaid items	0.00	0.00
Due from other funds	0.00	46,767.92
Inventories	0.00	0.00
Fixed assets (net of accumulated depreciation)	787,142.44	0.00
TOTAL ASSETS	\$ 1,125,894.93	\$ 169,300.00
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 85.00	\$ 0.00
Deposits payable	1,000.00	0.00
Accrued liabilities	0.00	0.00
Due to other funds	46,767.92	0.00
Due to other governmental units	0.00	0.00
Deferred revenue	240,162.27	0.00
Installment lease payable - current	0.00	0.00
	288,015.19	0.00
Noncurrent liabilities		
Installment lease payable - long-term	0.00	0.00
Accrued sick and vacation	0.00	0.00
	0.00	0.00
TOTAL LIABILITIES	288,015.19	0.00
EQUITY		
Investment in capital assets, net of related debt	787,142.44	0.00
Fund balances		
Restricted for		
Primary/Local Roads	0.00	0.00
Unreserved		
Undesignated	50,737.30	169,300.00
TOTAL EQUITY	837,879.74	169,300.00
TOTAL LIABILITIES AND EQUITY	\$ 1,125,894.93	\$ 169,300.00

The accompanying notes to financial statements are an integral part of these financial statements.

ROAD COMMISSION	DRAIN DEBT SERVICE	TOTAL
\$ 754,114.00	\$ 0.00	\$ 970,090.24
22,410.00		27,195.00
0.00		361.06
0.00	0.00	240,162.27
0.00	0.00	0.00
602,265.00	0.00	602,265.00
570.00	0.00	570.00
56,218.00	0.00	56,218.00
0.00	0.00	46,767.92
350,830.00	0.00	350,830.00
26,374,388.00	0.00	27,161,530.44
<u>\$ 28,160,795.00</u>	<u>\$ 0.00</u>	<u>\$ 29,455,989.93</u>
\$ 95,195.00	\$ 0.00	\$ 95,280.00
0.00		1,000.00
28,104.00	0.00	28,104.00
0.00	0.00	46,767.92
156,569.00	0.00	156,569.00
	0.00	240,162.27
15,339.00	0.00	15,339.00
<u>295,207.00</u>	<u>0.00</u>	<u>583,222.19</u>
277,572.00		277,572.00
216,282.00	0.00	216,282.00
<u>493,854.00</u>	<u>0.00</u>	<u>493,854.00</u>
789,061.00	0.00	1,077,076.19
26,081,477.00	0.00	26,868,619.44
1,290,257.00	0.00	1,290,257.00
	0.00	220,037.30
<u>27,371,734.00</u>	<u>0.00</u>	<u>28,378,913.74</u>
<u>\$ 28,160,795.00</u>	<u>\$ 0.00</u>	<u>\$ 29,455,989.93</u>

MASON COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006

	EXPENSES	PROGRAM REVENUES <u>CHARGES</u> FOR SERVICES
REVENUES		
Drainage districts	\$ 105,972.98	\$ 5,968.22
Road commission	<u>5,331,484.00</u>	<u>426,999.00</u>
TOTAL REVENUES	<u>\$ 5,437,456.98</u>	<u>\$ 432,967.22</u>

General revenues

Special assessments
Gain on sale of capital assets
Miscellaneous
Unrestricted investment earnings

Total general revenues and transfers

Change in net assets
Net assets - beginning

Special item - prior period adjustments

Net assets - ending

The accompanying notes to financial statements are an integral part of these financial statements.

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	DRAINAGE DISTRICTS	ROAD COMMISSION	TOTAL
\$ 0.00	\$ 0.00	\$ (100,004.76)	\$ 0.00	\$ (100,004.76)
<u>5,421,741.00</u>	<u>0.00</u>	<u>0.00</u>	<u>517,256.00</u>	<u>517,256.00</u>
<u>\$ 5,421,741.00</u>	<u>\$ 0.00</u>	<u>(100,004.76)</u>	<u>517,256.00</u>	<u>417,251.24</u>
		3,123.00	0.00	3,123.00
		1,422.37	302,197.00	303,619.37
		0.00	3,600.00	3,600.00
		<u>1,438.47</u>	<u>73,632.00</u>	<u>75,070.47</u>
		<u>5,983.84</u>	<u>379,429.00</u>	<u>385,412.84</u>
		(94,020.92)	896,685.00	802,664.08
		1,101,200.66	7,732,155.00	8,833,355.66
		<u>0.00</u>	<u>18,742,894.00</u>	<u>18,742,894.00</u>
		<u>\$ 1,007,179.74</u>	<u>\$ 27,371,734.00</u>	<u>\$ 28,378,913.74</u>

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: DESCRIPTION OF COUNTY AND FUND TYPES

The County of Mason, Michigan, having over 25 miles of Lake Michigan shoreline, covers an area of approximately 540 square miles with its county seat located in the City of Ludington. The County operates under a ten member elected Board of Commissioners and provides services to its more than 28,000 residents in areas including law enforcement, administration of justice, community enrichment and development, and human services.

A. Reporting Entity

All funds and account groups under direct control of the County of Mason are included in this report.

The funds and account groups that have been included in this report are those that meet the criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include the appointment of a voting majority of the governing body, legal entity, and fiscal independence or dependence.

Blended Component Units

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as blended component units.

For financial reporting purposes, the following components are reported as if they were part of the County's operations:

Building Authority Debt - Jail and Building Authority Construction - Jail.

Discretely Presented Component Units

County Drain Funds - Each of the drainage districts are separate legal entities, with the power to contract, to sue, to hold, manage and dispose of real and personal property, etc. The full faith and credit of the County may be given for the debt of the drainage districts.

County Road Commission Fund - The Road Commission is governed by three appointees of the County's Board who are not County Board members. The Road Commission is responsible for the construction and maintenance of the County's system of roads and bridges and is principally funded by State-collected vehicle fuel and registration taxes under Public Act 51. The County has budgetary control and appropriation authority over its activities; however, such has not been exercised.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

Under Governmental Accounting Standards Board's Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the annual financial report will now include two separate sets of statements, the government-wide financial statements and the fund financial statements. The measurement focus, basis of accounting and basis of presentation differs between the government-wide financial statements and the fund financial statements. These differences, along with an explanation of the differing purposes and information provided by these separate financial statements, are described in the sections below.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 1: DESCRIPTION OF COUNTY AND FUND TYPE - Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activity of the primary government and its component units using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the County's net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the County's various functions where elimination would distort the direct costs and program revenues reported for the various functions concerned.

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The structure of these two statements is further described in the following two paragraphs.

Statement of Net Assets – This statement is designed to display the financial position of the County. The County reports all capital assets, including infrastructure, and all long-term liabilities, such as long-term debt. The net assets of the County are broken down into three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restrictions shown are those imposed by parties outside the County, such as creditors, grantors, contributors, laws and regulations of other governments. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed. Internal service funds have been consolidated into the government or business-type activities that they primarily benefit.

Statement of Activities – This statement demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. Just as the statement of net assets includes all capital assets, the Statement of Activities includes all depreciation expenses. In the Statement of Activities, the operational internal service funds have been consolidated into the government or business-type activities that they primarily benefit.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 1: DESCRIPTION OF COUNTY AND FUND TYPE - Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

Fund Financial Statements

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All individual funds are considered major and are reported as separate columns in the fund financial statements.

As in the government-wide financial statements, as a general rule the effect of interfund activity has been eliminated from the fund financial statements. Exceptions to this general rule are charges between the County's various functions where elimination would distort the direct costs and program revenues reported for the various functions concerned.

The various funds are grouped, in the financial statements in this report, into seven generic fund types and three broad fund categories:

GOVERNMENTAL FUNDS

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus results in the reporting of only near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available if they are expected to be received within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, which are recorded when payment is due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, and charges for services. Changes in the fair value of investments are recognized in interest revenues at the end of each year. Fines, forfeitures, licenses, and permit revenues are recorded when the County receives cash because they are not generally measurable until actually received. Shared revenues are recorded at the time of receipt or earlier if susceptible to accrual criteria in which case they are recorded when those criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 1: DESCRIPTION OF COUNTY AND FUND TYPE - Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Concluded

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

PROPRIETARY FUNDS

All proprietary and similar trust funds are accounted for using *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the fund net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments, on a cost - reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include only Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. General Fixed Assets and Long-Term Liabilities

Capital Assets, which include land, buildings, land improvements, equipment, vehicles and infrastructure assets are reported in the applicable governmental, business-type activity or component unit columns in the government-wide financial statements. The capitalization thresholds are \$5,000 for buildings, land improvements, equipment, and vehicles. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 1: DESCRIPTION OF COUNTY AND FUND TYPE - Concluded

C. General Fixed Assets and Long-Term Liabilities - Concluded

Capital assets of governmental activities are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	5-40 years
Equipment and Vehicles	3-20 years
Drains and land improvements	8-20 years
Sewer Systems	40 years

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on the Proprietary Fund balance sheets. The straight-line depreciation method is applied over the estimated useful lives of fixed assets held by Proprietary Funds. Estimated useful lives are:

Buildings and Improvements	5-40 years
Equipment and Vehicles	3-20 years
Drains and land improvements	8-20 years
Sewer Systems	40 years

Depreciation is computed on the sum-of-the-years-digits method for road equipment and straight-line method for all other fixed assets. The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation in the Road Commission Fund as a charge to various expense accounts and a credit to a depreciation credits account. Accordingly, the annual depreciation expense does not affect the available operating equities of the Road Commission Fund.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

A. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the April board meeting, the County Finance Committee submits to the Board of Commissioners a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is formally adopted by resolution at the October Board of Commissioners' meeting.
4. Any revision to the budget must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a management control device for the General Fund, Special Revenue Funds and Debt Service Funds.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. Budget appropriations lapse at year-end.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - Concluded

B. Investments

Investments are stated at cost, which equals market.

C. Advances to other Funds

Noncurrent portions of long-term interfund loans receivable (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets.

D. Restricted Assets

Certain resources of the County's Post Closure Care Trust Fund are set aside for the payment of post-closure cost of the Mason County Landfill - Scottville site and are classified as restricted assets on the balance sheet because their use is limited by applicable Michigan Department of Environmental Quality rules.

E. Prepaid Assets

Certain insurance premiums and other expenditures representing costs applicable to future periods are recorded as prepaid assets. These prepaid assets recorded in the governmental fund types do not reflect current appropriable resources and, therefore, an equivalent portion of fund balance is reserved.

F. Accounting Period

All financial presentations are for December 31, 2006 or the year then ended.

G. Inventories

Road Commission inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

H. Cash and Cash Investments

For the purposes of the statement of cash flows, the County considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash investments.

NOTE 3: ACCUMULATED UNPAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFIT AMOUNTS

Accumulated vacation and sick pay represents a contingent liability to the County which is not expected to be liquidated during the current year. Payments to employees for vacation and sick pay will be recorded as expenditures when the vacation and sick time is used and payments are actually made to the employees. Payments of accumulated vacation and sick pay benefits are also made to employees upon termination of employment. The County has accumulated sufficient funds in the Vacation and Sick Pay Trust Fund to provide payments of accumulated benefits to employees who terminate their employment. At December 31, 2006, the total accumulated vacation and sick pay liability was \$643,294.44.

County Road employee's earn vacation leave in varying amounts depending on the number of years of service. Unpaid vacation leave at December 31, 2006 amounted to \$58,199.00. Sick leave is accumulated at the rate of one day for each month of service with accumulation not to exceed 656 hours or 82 days. Unpaid sick leave at December 31, 2006 amounted to \$120,649.00. Upon termination of employment, vacation is payable at 100 percent of the accumulated balance. Sick leave is payable at 50 percent only upon death or retirement. Unpaid personal leave amounted to \$37,434 at December 31, 2006.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 4: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

P.A. 621 of 1978 provides that counties and other local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the County Board of Commissioners. For the year ended December 31, 2006, Mason County had formally adopted a budget for the General Fund, the Special Revenue Fund Types and the Debt Service Fund Types. The following General Fund departments' expenditures exceeded the amounts appropriated in the formal budget document as adopted by the County Board of Commissioners:

	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)
Juvenile Court	\$ 25,000.00	\$ 27,129.39	\$(2,129.39)
Scottville Office Maintenance	17,000.00	17,712.49	(712.49)
Secondary Road Patrol	113,900.00	115,168.43	(1,268.43)
Department of Corrections	6,300.00	6,623.81	(323.81)
Veteran's Burial	20,000.00	21,325.00	(1,325.00)
Zoning Department	140,675.00	140,863.94	(188.94)
Drains at Large	2,200.00	2,229.46	(29.46)

The following Special Revenue Fund and Debt Service Fund Types had expenditures and transfers that exceeded the budgets approved by the County Board of Commissioners:

Budget Stabilization	\$ 0.00	\$ 14,310.00	\$(14,310.00)
Senior Citizens	187,775.00	187,891.25	(116.25)
Corrections Officer Training	10,650.00	10,681.88	(31.88)
Medical Care Facility	7,421,675.00	7,570,214.69	(148,539.69)

The Road Commission follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Act of 1978) as prescribed by the State of Michigan. Public Act 621 of 1978, section 18 (1), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the year ended December 31, 2006, the County Road Commission incurred expenditures which were in excess of the amounts appropriated as follows:

Expenditure Line Item	Total Budget	Amount of Expenditures	Budget Variance
Primary Road: Structural Improvements	\$1,460,358.00	\$1,535,407.00	\$(75,049.00)
Primary Road: Maintenance	657,387.00	837,398.00	(180,011.00)
Local Road: Maintenance	1,302,135.00	1,790,410.00	(488,275.00)
State Non-Maintenance	0.00	6,395.00	(6,395.00)
Administrative Expense - Net	176,635.00	244,539.00	(67,904.00)
Capital Outlay - Net	102,556.00	443,649.00	(341,093.00)
Equipment Expense - Net	(42,216.00)	560,475.00	(602,691.00)
Debt Service - Principal	121,029.00	121,889.00	(860.00)
Debt Service - Interest	7,753.00	9,440.00	(1,687.00)

The budget was exceeded in total by \$1,433,842.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 5: PROPERTY TAXES

2006 property tax revenue includes property taxes levied principally on December 1, 2005 and substantially collected in early 2006. The "2005 property taxes" became a lien on December 1, 2005 and were collected by March 1, 2006 except for those taxes that were returned delinquent. Due to the migration of the county property taxes from a December levy to a July levy, the total December 2006 levy for the County was \$2,189,758.94 for general operating purposes on a state equalized valuation at 5.1327 mills.

By agreement with various taxing authorities in the County, the County purchased at face value the real property taxes receivable which became delinquent on March 1, 2006. These taxes, which are recorded in an Enterprise Fund at December 31, 2006, are pledged for repayment of advances, the proceeds of which were used to purchase such amounts due to the General Fund and other local units of government. Subsequent collections by the County, plus interest, fees and investment earnings, are used to repay the loans. The 2006 property tax levy of \$2,189,758.94 based on 5.1327 mills less adjustments is reflected in the General Fund as property tax receivable and as deferred revenue and in the State Revenue Sharing Fund as property tax receivable.

NOTE 6: LITIGATION

There is no pending litigation against the County as of December 31, 2006.

NOTE 7: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains five enterprise funds: Park Operation Fund, Airport Fund, Delinquent Taxes Fund, Public Works Operation and Maintenance Fund, and the Delinquent Tax Foreclosure Fund. Segment information for the year ended December 31, 2006 was as follows:

	DELINQUENT TAX FORECLOSURE	PUBLIC WORKS AND MAINTENANCE	PARK OPERATION	AIRPORT	DELINQUENT TAXES	TOTAL
Total assets	\$126,348.88	\$5,701,619.15	\$ 80,524.96	\$2,642,120.12	\$1,049,747.19	\$9,600,360.30
Total liabilities	4,112.20	3,749,130.49	1,245.30	864,371.18	15,964.18	4,634,823.35
Net Assets	122,236.68	1,952,488.66	79,279.66	1,777,748.94	1,033,783.01	4,965,536.95
Operating revenue	143,112.59	848,358.68	68,975.78	1,054,481.56	335,111.14	2,450,039.75
Operating expenses	44,594.05	808,841.59	25,014.23	320,440.96	30,837.63	1,229,728.46
Operating income (loss)	98,518.54	39,517.09	43,961.55	734,040.60	304,273.51	1,220,311.29
Nonoperating revenue	1,037.71	66,161.83	1,232.36	6,873.23	18,311.41	93,616.54
Transfers in (out)	0.00	18,000.00	0.00	140,650.00	(118,000.00)	40,650.00
Change in net assets	99,556.25	123,678.92	45,193.91	881,563.83	204,584.92	1,354,577.83
Net assets - January 1, 2006	22,680.43	1,824,010.89	34,085.75	872,007.28	829,198.09	3,581,982.44
Prior period adjustment	0.00	4,798.85	0.00	24,177.83	0.00	28,976.68
Net assets - December 31, 2006	122,236.68	1,952,488.66	79,279.66	1,777,748.94	1,033,783.01	4,965,536.95
Net cash provided by:						
Operating activities	103,428.19	9,823.63	45,319.09	871,287.62	337,307.32	1,367,165.85
Noncapital financing activities	0.00	18,000.00	0.00	140,650.00	(118,000.00)	40,650.00
Capital and related financing activities	0.00	(50,454.72)	(72,642.00)	(992,113.09)	0.00	(1,115,209.81)
Investing activities	0.00	27,172.41	0.00	40,910.05	0.00	68,082.46
Net increase in cash and cash equivalents	103,428.19	4,541.32	(27,322.91)	60,734.58	219,307.32	360,688.50
Cash and cash equivalents - beginning	22,680.43	199,060.34	35,736.53	80,566.26	74,330.46	412,374.02
Cash and cash equivalents - ending	126,108.62	203,601.66	8,413.62	141,300.84	293,637.78	773,062.52

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 8: RENTALS UNDER OPERATING LEASE

The County entered into an agreement with the State of Michigan to provide office space for the Family Independence Agency. The original lease is for a fifteen-year period beginning on December 23, 1996. The annual rental payment due from the State of Michigan for this lease is \$208,749.00 payable in monthly installments of \$17,395.75. The lease provides for an annual adjustment to reflect the actual cost of operations. The lease provides for the option of three five-year lease renewals for a total possible lease period of thirty years.

The following is a schedule of future minimum rental revenues on operating leases as of December 31, 2006:

December 31, 2007	\$ 208,749.00
December 31, 2008	208,749.00
December 31, 2009	208,749.00
December 31, 2010	208,749.00
December 31, 2011	208,749.00
TOTAL	<u>\$1,043,745.00</u>

NOTE 9: LONG-TERM ADVANCES

The County of Mason had no long-term interfund advances as of December 31, 2006

NOTE 10: CAPITAL ASSETS

The following schedule summarizes the changes in capital assets for the year ending December 31, 2006:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
GOVERNMENTAL ACTIVITIES:				
Internal Service Funds				
Equipment and vehicles	\$ 83,076.78	\$ 0.00	\$ 0.00	\$ 83,076.78
Less: Accumulated Depreciation	(29,584.76)	(5,027.68)	0.00	(34,612.44)
	<u>53,492.02</u>	<u>(5,027.68)</u>	<u>0.00</u>	<u>48,464.34</u>
Other governmental funds				
Land	\$ 327,138.75	\$ 562,500.00	\$ 0.00	\$ 889,638.75
Land Improvements	253,802.94	15,236.92	0.00	269,039.86
Buildings and improvements	20,603,715.21	221,141.50	(37,500.00)	20,787,356.71
Equipment and Vehicles	2,527,054.78	232,522.89	0.00	2,759,577.67
Subtotal	23,711,711.68	1,031,401.31	(37,500.00)	24,705,612.99
Less: Accumulated Depreciation	(6,735,134.62)	(857,752.76)	0.00	(7,592,887.38)
	<u>16,976,577.06</u>	<u>173,648.55</u>	<u>(37,500.00)</u>	<u>17,112,725.61</u>
Total	<u>\$17,030,069.08</u>	<u>\$ 168,620.87</u>	<u>\$ (37,500.00)</u>	<u>\$17,161,189.95</u>

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 10: CAPITAL ASSETS – Concluded

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
BUSINESS-TYPE ACTIVITIES				
Land Improvements	\$ 339,487.58	\$ 967,113.09	\$ 0.00	\$ 1,306,600.67
Buildings and improvements	1,209,318.30	0.00	0.00	1,209,318.30
Sewer System	686,442.47	0.00	0.00	686,442.47
Rural Development Sewer Project	408,675.08	3,614.70	0.00	412,289.78
Parks Commission Sewer Project	0.00	72,642.00	0.00	72,642.00
Equipment and Vehicles	439,073.00	0.00	0.00	439,073.00
Subtotal	3,082,996.43	1,043,369.79	0.00	4,126,366.22
Less: Accumulated Depreciation	(651,709.55)	(136,750.13)	0.00	(788,459.68)
Total	<u>\$ 2,431,286.88</u>	<u>\$ 906,619.66</u>	<u>\$ 0.00</u>	<u>\$ 3,337,906.54</u>
Component Unit – Drainage Districts:				
Land	\$ 9,800.00	\$ 0.00	\$ 0.00	\$ 9,800.00
Infrastructure	2,042,768.15	0.00	0.00	2,042,768.15
Subtotal	2,052,568.15	0.00	0.00	2,052,568.15
Less: Accumulated Depreciation	(1,167,651.90)	(97,773.81)	0.00	(1,265,425.71)
Subtotal	<u>884,916.25</u>	<u>(97,773.81)</u>	<u>0.00</u>	<u>787,142.44</u>
Component Unit – Road Commission:				
Land and Improvements	\$ 110,375.00	\$ 0.00	\$ 0.00	\$ 110,375.00
Infrastructure Land Improvements	10,746,149.00	362,315.00	0.00	11,108,464.00
Buildings	1,315,559.00	0.00	0.00	1,315,559.00
Equipment – Road	4,882,195.00	816,738.00	699,899.00	4,999,034.00
Equipment – Shop	70,778.00	0.00	0.00	70,778.00
Equipment – Office	69,370.00	0.00	0.00	69,370.00
Equipment – Engineering	37,618.00	0.00	0.00	37,618.00
Equipment – Yard & Storage	150,730.00	0.00	0.00	150,730.00
Infrastructure – Roads & Bridges	28,962,368.00	1,936,093.00	0.00	30,898,461.00
Subtotal	46,345,142.00	3,115,146.00	699,899.00	48,760,389.00
Less: Accumulated Depreciation	(21,260,218.00)	(1,802,582.00)	(676,799.00)	(22,386,001.00)
Subtotal	<u>25,084,924.00</u>	<u>1,312,564.00</u>	<u>23,100.00</u>	<u>26,374,388.00</u>
Total Component Units	<u>\$25,969,840.25</u>	<u>\$1,214,790.19</u>	<u>\$ 23,100.00</u>	<u>\$27,161,530.44</u>

Depreciation expense for governmental activities was charged to the following function and activities of the primary government:

<u>Internal service funds</u>	\$ 5,027.68
<u>Other governmental funds</u>	
Parks, recreation and cultural	91,318.26
Legislative	3,003.06
Judicial	27,266.04
General governmental administration	64,287.44
Public safety	343,266.14
Public works	8,315.20
Health and social services	320,296.62
	<u>857,752.76</u>
TOTAL	<u>\$ 862,780.44</u>

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 11: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in financial institutions in the name of the Mason County Treasurer. Michigan Compiled Laws, Section 129.91, authorizes Mason County to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. Mason County's deposits are in accordance with statutory authority. Mason County has adopted an investment policy as required by the State of Michigan.

As of December 31, 2006, the carrying amount and bank balance for each type of deposit and investment is as follows:

	BOOK BALANCE	BANK BALANCE	FDIC INSURED
Cash Deposits	\$ 8,830,280.35	\$ 8,278,784.68	\$ 305,193.56
Investments	14,143,076.65	14,143,076.65	979,456.65
Imprest Cash	<u>2,570.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>\$ 22,975,927.00</u>	<u>\$ 22,421,861.33</u>	<u>\$ 1,284,650.21</u>

Financial Statement Presentation:

	CASH AND CASH EQUIVALENTS	INVESTMENTS (CERTIFICATES OF DEPOSIT)	TOTAL
Governmental funds	\$ 6,585,073.30	\$ 12,968,323.38	\$ 19,553,396.68
Proprietary funds	773,062.52	1,174,753.27	1,947,815.79
Fiduciary funds	504,624.31	0.00	504,624.31
Component units	<u>970,090.22</u>	<u>0.00</u>	<u>970,090.22</u>
	<u>\$ 8,832,850.35</u>	<u>\$ 14,143,076.65</u>	<u>\$ 22,975,927.00</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County does not have a policy for custodial risk. As of December 31, 2006, \$21,137,211.12 of the government's bank balance of \$21,658,192.42 was exposed to custodial credit risk as uninsured and uncollateralized.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 12: LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions of the primary government and component unit for the year ended December 31, 2006:

	BALANCE JANUARY 1, 2006	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2006	DUE WITHIN ONE YEAR
BUSINESS TYPE ACTIVITIES				
\$4,000,000.00 2004 Rural Development Sewer Bonds due in annual installments of \$42,000.00 to \$200,000.00 through April 1, 2043; interest at 4.50%	\$3,336,000.00	\$(47,000.00)	\$ 3,289,000.00	\$ 45,000.00
\$375,000.00 2001 Mason County Sewage Disposal & Water Supply Bonds due in annual installments of \$10,000.00 to \$25,000.00 through March 31, 2030; interest at 4.30% to 5.50%.	375,000.00	(10,000.00)	365,000.00	10,000.00
\$975,000.00 2001 Mason County Building Authority Bonds due in annual installments of \$25,000.00 to \$75,000.00 through November 1, 2021; interest at 4.00% to 5.45%	<u>875,000.00</u>	<u>(25,000.00)</u>	<u>850,000.00</u>	<u>50,000.00</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>4,586,000.00</u>	\$ <u>(82,000.00)</u>	\$ 4,504,000.00	\$ <u>105,000.00</u>
Less: amount payable within one year			<u>(105,000.00)</u>	
LONG-TERM DEBT BUSINESS- TYPE ACTIVITIES			<u>\$ 4,399,000.00</u>	

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 12: LONG-TERM OBLIGATIONS – Continued

	BALANCE JANUARY 1, 2006	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2006	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES				
PRIMARY GOVERNMENT				
\$3,050,000.00 1998 Mason County Building Authority Bonds due in annual installments of \$225,000.00 to \$450,000.00 through February 1, 2008; interest at 3.90% to 4.70%.	\$ 1,200,000.00	\$(350,000.00)	\$ 850,000.00	\$400,000.00
\$100,000.00 2003 Mason County District Library Land Contract due in monthly installments of \$791.77 through December 4, 2016; interest at 5.019%.	79,890.33	(5,581.25)	74,309.08	5,892.08
\$1,890,000.00 2003 Mason County General Obligation Limited Tax Bonds due in annual installments of \$50,000.00 to \$200,000.00 through November 1, 2017; interest at 3.00% to 4.20%.	1,715,000.00	(90,000.00)	1,625,000.00	100,000.00
Accrued Post Closure Landfill Costs	2,115,845.00	23,291.00	2,139,136.00	0.00
Accrued Vacation and Sick Pay	<u>683,845.14</u>	<u>(40,550.70)</u>	<u>643,294.44</u>	<u>0.00</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,794,580.47</u>	<u>\$(462,840.95)</u>	<u>\$5,331,739.52</u>	<u>\$ 505,892.08</u>
Less: amount payable within one year			<u>(505,892.08)</u>	
LONG-TERM DEBT PRIMARY GOVERNMENT			<u>\$ 4,825,847.44</u>	

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 12: LONG-TERM OBLIGATIONS – Continued

COMPONENT UNIT	BALANCE JANUARY 1, 2006	ADDITIONS	(DEDUCTIONS)	BALANCE DECEMBER 31, 2006
Road Commission				
Wells Fargo	\$ 0.00	\$ 160,400.00	\$(6,048.00)	\$ 154,352.00
Caterpillar Financial Service Corp.	0.00	139,561.00	(1,002.00)	138,559.00
Caterpillar Financial Service Corp.	114,838.00	0.00	(114,838.00)	0.00
Compensated Absences	<u>249,017.00</u>	<u>0.00</u>	<u>(32,735.00)</u>	<u>216,282.00</u>
TOTAL	\$ <u>363,855.00</u>	\$ <u>299,961.00</u>	\$ <u>(154,623.00)</u>	\$ <u>509,193.00</u>

The annual requirements to amortize all debt outstanding as of December 31, 2006, including interest payments are as follows:

BUSINESS TYPE ACTIVITIES

DUE DATE	PRINCIPAL	INTEREST	TOTAL
2007	\$ 105,000.00	\$ 208,947.50	\$ 313,947.50
2008	110,000.00	204,115.00	314,115.00
2009	110,000.00	199,160.00	309,160.00
2010	110,000.00	194,070.00	304,070.00
2011	111,000.00	188,947.50	299,947.50
2012	114,000.00	183,700.00	297,700.00
2013	116,000.00	178,285.00	294,285.00
2014-2018	655,000.00	804,182.50	1,459,182.50
2019-2023	704,000.00	623,105.00	1,327,105.00
2024-2028	602,000.00	473,640.00	1,075,640.00
2029-2033	669,000.00	322,812.50	991,812.50
2034-2038	772,000.00	164,115.00	936,115.00
2039-2043	<u>326,000.00</u>	<u>14,355.00</u>	<u>340,355.00</u>
TOTAL	<u>\$4,504,000.00</u>	<u>\$3,759,435.00</u>	<u>\$8,263,435.00</u>

GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT

DUE DATE	PRINCIPAL	INTEREST	TOTAL
2007	\$ 505,892.08	\$ 94,496.66	\$ 600,388.74
2008	581,194.72	71,069.02	652,263.74
2009	131,512.87	55,988.37	187,501.24
2010	131,847.37	51,466.37	183,313.74
2011	157,199.07	46,927.17	204,126.24
2012	157,568.80	41,307.44	198,876.24
2013	157,957.55	35,518.69	193,476.24
2014-2018	726,136.62	77,372.37	803,508.99
Undetermined	<u>2,782,430.44</u>	<u>0.00</u>	<u>2,782,430.44</u>
TOTAL	<u>\$5,331,739.52</u>	<u>\$474,146.09</u>	<u>\$5,805,885.61</u>

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 12: LONG-TERM OBLIGATIONS – Concluded

COMPONENT UNIT

DUE DATE	PRINCIPAL	INTEREST	TOTAL
2007	\$ 15,339.00	\$ 15,215.00	\$ 30,554.00
2008	16,202.00	14,353.00	30,555.00
2009	17,112.00	13,442.00	30,554.00
2010	18,074.00	12,481.00	30,555.00
2011	226,184.00	6,383.00	232,567.00
Undetermined	<u>216,282.00</u>	<u>0.00</u>	<u>216,282.00</u>
Total	\$ <u>509,193.00</u>	\$ <u>61,874.00</u>	\$ <u>571,067.00</u>

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

The following are the interfund receivables and payables at December 31, 2006:

FUND	DUE FROM OTHER FUNDS	FUND	DUE TO OTHER FUNDS
Revolving Drain	\$ <u>46,767.92</u>	Drain	\$ <u>46,767.92</u>
		Public Works	10,184.36
		Budget Stabilization	83,210.00
		Emergency Management Grant	5,819.87
General	<u>99,589.23</u>	Landfill Post Closure	<u>375.00</u>
Subtotal	<u>99,589.23</u>	Subtotal	<u>99,589.23</u>
District Library	26,682.44	Library Penal	27,557.44
County Law Library	<u>875.00</u>		
Subtotal	<u>27,557.44</u>	Subtotal	<u>27,557.44</u>
TOTAL	\$ <u>173,914.59</u>	TOTAL	\$ <u>173,914.59</u>

The interfund receivables and payables were made for cash flow purposes.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 14: TRANSFERS

The following are the transfers for the year ended December 31, 2006:

FUND	TRANSFER IN	FUND	TRANSFER OUT
Ambulance	\$ 47,000.00	General	\$3,434,500.00
Friend of the Court	280,000.00		
Public Improvement	484,350.00		
Jail Operations	1,144,500.00		
Law Library	9,000.00		
Social Welfare	24,000.00		
Child Care	242,500.00		
Junk Ordinance Administration	8,000.00		
Jail Building Debt Service	50,000.00		
Equipment Replacement	227,100.00		
Public Works	18,000.00		
Landfill Post Closure	58,000.00		
Airport	140,650.00		
Computer Network	5,000.00		
Self-Insurance Liability	217,500.00		
Workers' Comp Insurance	25,000.00		
Health & Life Insurance	315,000.00		
Vacation and Sick Pay	70,000.00		
Subtotal	<u>3,365,600.00</u>	Subtotal	<u>3,365,600.00</u>
Equipment Replacement	29,225.00	Jail Operations	93,626.68
Jail Construction	59,125.00		
Self-Ins. - Workers Comp.	5,276.68		
Subtotal	<u>93,626.68</u>	Subtotal	<u>93,626.68</u>
Medical Care Facility Imp.	600,000.00	Medical Care Facility	606,360.87
MCF Employee Short-Term Dis.	6,360.87		
Subtotal	<u>606,360.87</u>	Subtotal	<u>606,360.87</u>
Medical Care Facility	<u>200,000.00</u>	MCF Worker's Compensation	<u>200,000.00</u>
District Library Debt Service	9,501.24	District Library	44,672.13
District Library Improvement	35,170.89		
Subtotal	<u>44,672.13</u>	Subtotal	<u>44,672.13</u>
General	647,307.00	Delinquent Tax Revolving	118,000.00
		Budget Stabilization	14,310.00
		State Revenue Sharing	514,997.00
Subtotal	<u>647,307.00</u>	Subtotal	<u>647,307.00</u>
Equipment Replacement	<u>25,000.00</u>	Register of Deeds	<u>25,000.00</u>
TOTAL	<u>\$4,982,566.68</u>		<u>\$4,982,566.68</u>

These transfers were made for cash flow purposes.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 15: PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2006, the following prior period adjustments have resulted in Fund Balance/Retained Earnings restatements:

GENERAL FUND

Record various expenditure corrections	\$(9.27)
Record various revenue corrections	271.42

SPECIAL REVENUE FUNDS

Record various expenditure corrections	
Building Department	(57,975.00)
Building Authorities Operations	(3,073.92)

ENTERPRISE FUNDS

Record various expenditure corrections	
Public Works	4,798.85
Airport Operations	24,177.83

The County implemented GASB 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits" as of December 31, 2006. The liability established was determined in accordance with this statement. A prior period adjustment of (\$5,813,753.00) was recorded for the retiree health insurance liability.

The Road Commission completed the GASB #34 conversion by capitalizing retroactively infrastructure from 1980 through 2002. This had the effect of increasing Net Capital Assets and Net Assets by \$18,742,894.00. The infrastructure for 2003, 2004, 2005 had been accounted for in those respected years in accordance with GASB #34 provisions.

NOTE 16: RISK FINANCING ACTIVITIES

It is the policy of the County of Mason not to purchase commercial insurance for all of the risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Instead, the County management believes it is more economical to manage its risks internally and set aside assets for claim settlement in various internal service funds. The Worker's Compensation Insurance Fund has an annual retention of \$400,000 for each worker's compensation claim. The Self-Insurance Liability and Property Fund provides coverage for a maximum aggregate annual retention of \$120,000 for general liability. The Medical Care Facility Insurance Fund is used to account for the worker's compensation claims of the County Medical Care Facility. The County, through its insurance service organization, Michigan Municipal Risk Management Authority, has reinsurance with umbrella coverage for liability and property damage of \$15,000,000. The reinsurance for Worker's Compensation is the statutory maximum. Settled claims have not exceeded the retention amount in any of the past three fiscal years.

The County appropriates funds from the General Fund to pay to the Worker's Compensation Insurance Fund and the Self-Insurance Liability Fund based on estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses in the Worker's Compensation Insurance Fund. The reserve was \$1,015,654.67 at December 31, 2006 and is reported as a designation of the Worker's Compensation Insurance Fund fund balance. The claims liability of \$17,663.00 reported in the two Worker's Compensation Insurance Funds at December 31, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 16: RISK FINANCING ACTIVITIES – Concluded

Changes in the two Worker's Compensation Insurance Funds' claims liability amount in calendar year 2006 were:

Liability Balance January 1, 2006	\$ 5,216.00
Claim Payments	(17,355.34)
Changes in estimates	<u>29,802.34</u>
Liability Balance December 31, 2006	<u>\$ 17,663.00</u>

The claims liability of \$187,281.37 reported in the Self-Insurance Liability Fund at December 31, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Self-Insurance Liability Fund's claims liability amount in calendar year 2006 were:

Liability Balance January 1, 2006	\$ 169,517.60
Claim Payments	(58,461.77)
Changes in estimates	<u>76,225.54</u>
Liability Balance December 31, 2006	<u>\$ 187,281.37</u>

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The County of Mason is required to maintain a membership retention fund with its insurance service organization Michigan Municipal Risk Management Authority. The County records this retention amount as a deposit on the balance sheet of the Self-Insurance Liability Fund. The balance at December 31, 2006 is as follows:

Member Retention Deposit	<u>\$ 241,693.32</u>
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Mason County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorize contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts. The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Mason County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board. Settled claims for the general liability coverages have not exceeded the amount of coverage in any of the past three years. The Road Commission is also self-insured for worker's compensation as a member of the County Road Association Self Insurance Fund.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 17: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County of Mason has two landfills under its jurisdiction. The Mason County Landfill located in Pere Marquette Charter Township has been closed since 1978. A 1994 settlement with the Environmental Protection Agency requires the County to perform certain maintenance and monitoring functions at the site for thirty years. The County records the liability for these post closure care costs in their General Long-Term Debt Account Group because these costs will be paid over a thirty-year period. The liability for post closure care costs for the landfill in Pere Marquette Charter Township at December 31, 2006 was \$675,432.00. These amounts are based on estimates of the cost to perform all post closure care in 2006.

Actual cost may be higher due to inflation, changes in technology or changes in regulations.

The Mason County Landfill located in the City of Scottville discontinued operations in 1998. State and federal laws and regulations required the County to place a final cover on the Scottville landfill site in 1998. The County is also required to perform certain maintenance and monitoring functions at the site for thirty years following closure. The County records the liability for these post closure care costs in the General Long-Term Debt Account Group because these costs will be paid over a thirty-year period. The liability for post closure care cost for the landfill in Scottville at December 31, 2006 was \$1,463,704.00. These amounts are based on estimates of the cost to perform all the post closure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County was required by state and federal laws and regulations to make quarterly contributions to a trust fund to finance post closure care. At December 31, 2006, a cash balance of \$91,726.58 was held for this purpose. The County has earmarked an additional \$1,933,902.47 in the Post Closure Care Trust Fund to finance post closure care costs.

The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by General Fund appropriations.

NOTE 18: CONTINGENT LIABILITIES

The County participates in a number of federal and state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended December 31, 2006 have not yet been conducted. Accordingly, the County's compliance with the program requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 19: JOINTLY GOVERNED ORGANIZATIONS

District Health Department

On October 1, 1997, the Manistee-Mason District Health Department dissolved and both Mason County and Manistee County became members of the new ten member District Health Department No. 10. Members of District Health Department No. 10 include the counties of Crawford, Kalkaska, Lake, Manistee, Mason, Mecosta, Missaukee, Newaygo, Oceana and Wexford. The new funding formula approved by the District Health Department No. 10 is based pro rata on each unit's population to the total population. Mason County's appropriation to the District Health Department for the calendar year was \$165,750.00.

Community Mental Health System

Mason County, Lake County and Oceana County participate jointly in the operation of the West Michigan Community Mental Health System. The funding formula approved by the counties is based pro rata on each unit's population to the total population.

Member percentages of the net operating budget for the year ended December 31, 2006 were:

Mason County	45.00 percent
Lake County	15.00 percent
Oceana County	40.00 percent

Mason County's appropriation to West Michigan Community Mental Health System for the calendar year was \$139,750.00

NOTE 20: DEFERRED COMPENSATION PLANS

The County of Mason has two deferred compensation plans, created in accordance with the Internal Revenue Code, Section 457. The plans, available to all employees, permit them to defer a portion of their current salary until the employee's termination, retirement, death, or unforeseeable emergency.

The County of Mason adopted a new 457-plan document, which incorporates the recent changes to the law governing 457 deferred compensation plans. The most notable change in the plan provides that the employer establish a plan level trust in which all amounts deferred must be placed and held for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, the plan assets are no longer subject to claims of the County's general creditors. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the County's legal counsel that the County has no liability for losses under the plans, but it does have the duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liability have been removed from the County's fiduciary fund as it is no longer required to be shown in the statements.

Mason County Road Commission offers all administrative Road Commission employees a deferred compensation plan created in accordance with IRC Section 457. Effective in 2001, the assets of the plan were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of the Section 457 plans and the assets may not be diverted to any other use.

In 1999, the Deferred Compensation Fund was treated as an expendable trust fund. During 1999, the assets of the Deferred Compensation Fund were placed in a trust and reported in an expendable trust fund. In accordance with GASB Statement No. 32 requirements, these assets are no longer reported in the financial statements.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 21: POST-EMPLOYMENT BENEFITS

The County of Mason offers post-employment health insurance benefits to its employees. Substantially, all employees are eligible to receive post-employment benefits in the form of health care benefits until the age of 70. These benefits are provided by contractual agreement and are paid annually by the General Fund. The County funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$297,083.85 during the year ended December 31, 2006. The total number of eligible retirees amounted to thirty-three at December 31, 2006. The County pays 100% of these costs. There are no provisions for employee contributions. The County has recorded a liability of \$5,813,753.00 for this benefit, based on an independent actuarial valuation.

The Road Commission provides post retirement health care benefits to employees who retire from the Road Commission after January 1, 1989 and are between the ages of 58 and 65 and have ten years of service. The Road Commission will pay \$250.00 of the cost for the employee and spouse. During 2006, the Road Commission funded approximately \$10,209 in post employment health care benefits for retired employees. Four employees were eligible for these post retirement benefits.

NOTE 22: RETIREMENT SYSTEM - MERS OPERATED

COUNTY-WIDE

Plan Description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public employee retirement system. MERS is authorized and operated under state law, Act 135 of the Public Acts of 1945 as amended. The County retirement system includes employees of the Sheriff's Department. A separate account is maintained by MERS for this department. Substantially all employees are covered by a retirement system. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Municipal Employees Retirement System, 7150 Harris Drive, 3rd Floor, General Office Building, P.O. Box 30174, Lansing, Michigan 48909.

Funding Policy

The obligation to contribute to and maintain the system for the Sheriff Department was established by negotiation with the County's two competitive bargaining units and County Board action established the obligation for the employees not represented by bargaining unit.

Annual Pension Cost

For the year ended December 31, 2006, the County's annual pension cost of \$928,280.11 was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 1997, based on a defined benefit for the various employee groups. Significant actuarial assumptions used include (a) a 8.00% investment rate of return; (b) projected salary increases of 4.5% per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases; and (c) 2.5% per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. This procedure was instituted for the December 31, 1993 valuation and is applied as follows: (I) Preliminary value is determined by taking the sum of actuarial value at the beginning of the year and the excess of income over expenses during the year, assuming that the fund earns the assumed rate (8%) during year; (II) this value is written-up or written-down by taking 20% of each year's difference between actual and expected return for the next five years. Actual return for the year includes net interest, dividends, realized and unrealized gains or losses; (III) in addition, the write-ups or write-downs that arose from each of the four years prior to 1998 continue to be applied until each five-year period expires.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 22: RETIREMENT SYSTEM - MERS OPERATED - Continued

The unfunded actuarial liability is being amortized by level percent of payroll contributions over a period ranging from 30 years to 36 years.

Three year trend information

	Plan year ended December 31:		
	2003	2004	2005
Annual pension cost	\$ 852,276.00	\$ 895,416.00	\$ 870,132.00
Percentage of Annual pension cost contributed	100.00%	100.00%	100.00%
Net Pension obligation	-0-	-0-	-0-
Actuarial value of assets	26,277,018.00	27,856,439.00	29,260,403.00
Actuarial Accrued Liability	27,916,044.00	30,341,090.00	31,795,984.00
Unfunded (Overfunded) Actuarial Accrued Liability	1,639,026.00	2,484,651.00	2,535,581.00
Funded ratio	94.00%	92.00%	92.00%
Covered payroll	6,416,338.00	6,212,195.00	5,994,365.00
UAAL (OAAL) as a percentage of covered payroll	26.00%	40.00%	42.00%

ROAD COMMISSION

Plan Description – Mason County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

All full time County Road union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 55 with 30 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of the member's 5-year final average compensation per year of service. The system also provides death and disability benefits which are established by State Statute.

Participating County Road employees are required to contribute 2.0 percent of annual compensation. The County Road is required to contribute the amounts necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an initial actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 4.5% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 22: RETIREMENT SYSTEM - MERS OPERATED- Concluded

GASB 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 1,287,504.00
Terminated employees not yet receiving benefits	31,429.00
Current employees:	
Accumulated employee contributions including allocated investment income	463,338.00
Employer financed	<u>2,321,875.00</u>
Total Actuarial accrued liability	4,104,146.00
Net Assets Available for Benefits, (estimated market value of \$1,424,330)	<u>(2,389,063.00)</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 1,715,083.00</u>

GASB 27 INFORMATION (as of 12/31/05)

Fiscal year beginning	January 1, 2007
Annual required contribution (ARC)	\$ 177,756.00
Required amortization of unfunded liability	<u>0.00</u>
	<u>\$ 177,756.00</u>

Three year trend information

Plan year ended December 31:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 177,756.00	\$ 184,068.00	\$ 190,387.00
Percentage of Annual pension cost contributed	100.00%	100.00%	100.00%
Net Pension obligation	-0-	-0-	-0-
Actuarial value of assets	1,559,870.00	1,995,842.00	2,389,063.00
Actuarial Accrued Liability	3,304,511.00	3,865,719.00	4,104,146.00
Unfunded (Overfunded) Actuarial Accrued Liability	1,744,641.00	1,869,877.00	1,715,083.00
Funded ratio	47.00%	52.00%	58.00%
Covered payroll	1,404,661.00	1,429,672.00	1,444,397.00
UAAL (OAAL) as a percentage of covered payroll	124.00%	131.00%	119.00%

NOTE 23: ROAD COMMISSION REVENUES/EXPENDITURES

All Federal dollars recorded by the Mason County Road Commission in 2006 were for projects controlled by the Michigan Department of Transportation. Federal compliance testing of these funds will be included in the audit of the Michigan Department of Transportation and not at the local Road Commission level. No A-133 Single Audit is required for the Mason County Road Commission.

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2006

NOTE 24: ROAD COMMISSION STATE EQUIPMENT PURCHASE ADVANCE/HIGHWAY MAINTENANCE ADVANCE

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract. Equipment advance monies for fiscal 2006 amounted to \$75,265.00. The State has also advanced \$46,053.00 on the highway maintenance agreement.

NOTE 25: DEFERRED REVENUE

During 2003, the Road Commission and the Michigan Department of Transportation (MDOT) negotiated a contract whereby a specific road segment was transferred from MDOT jurisdiction to Road Commission jurisdiction in exchange for a lump sum payment by MDOT to the Road Commission. The lump sum must be used to renovate, repair and/or reconstruct the road segment within a five-year period. The lump sum in an amount of \$1,987,000.00 was received in 2003 but none of the work was performed. The amount has been recorded as deferred revenue and will be recorded as revenue as it is earned throughout the project period. During 2005, \$834,065.00 was earned and recorded as revenue. The deferred revenue balance is \$1,129,597 as of December 31, 2005. During 2006, the project was completed and the entire balance was recorded as revenue.

NOTE 26: FUND BALANCE DEFICIT

At December 31, 2007 the components of the Road Commission fund balance were as follows:

	Primary Road	Local Road	County Road
Total	Fund	Fund	Fund
<u>\$1,506,539.00</u>	<u>\$2,478,251.00</u>	<u>\$(844,684.00)</u>	<u>\$(127,028.00)</u>

MASON COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Concluded
DECEMBER 31, 2006

NOTE 27: NET ASSETS/RETAINED EARNINGS RESERVATIONS AND DESIGNATIONS

At December 31, 2006, the following portions of the fund equity/retained earnings were reserved in the following funds:

	<u>UNRESTRICTED – RESERVED</u>		<u>RESTRICTED FOR</u>
	FOR PREPAID EXPENSE	EMPLOYEE BENEFITS	ACCUMULATED VACATION AND SICK PAY LANDFILL PERPETUAL CARE
General fund	\$ 101,783.35	\$	\$
Senior Citizens fund	1,165.50		
Friend of the Court fund	1,632.88		
Building Department fund	848.03		
Register of Deeds Automation	8,910.00		
Community Corrections fund	278.50		
Jail Operations fund	25,164.87		
District Library fund	14,517.83		
Emergency Management Grant fund	146.29		
Medical Care Facility Insurance		413,732.65	
Self Insurance fund		583,576.29	
Self Insurance Workers' Compensation fund		1,015,654.67	
Self Insurance Health fund		730,986.43	
Self Insurance Medical Care Facility Disability fund		99,162.77	
Landfill Perpetual Care fund			2,025,629.05
Medical Care Facility Employee Benefits fund		87,476.22	
Vacation & Sick Pay Trust fund			460,235.35

REQUIRED SUPPLEMENTARY INFORMATION

MASON COUNTY, MICHIGAN
MAJOR GOVERNMENTAL FUNDS - GENERAL AND SPECIAL REVENUE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>General Fund</u>				
REVENUES				
Taxes	\$ 6,568,350.00	\$ 6,686,125.00	\$ 6,697,771.14	\$ 11,646.14
Permits and regulatory licenses	113,800.00	102,825.00	103,965.97	1,140.97
Intergovernmental				
Federal/State	976,675.00	989,575.00	989,591.65	16.65
Charges for services	715,600.00	785,800.00	789,515.09	3,715.09
Fines and forfeitures	175.00	425.00	430.00	5.00
Interest and rents	102,600.00	202,025.00	216,826.35	14,801.35
Miscellaneous	154,300.00	195,225.00	203,188.97	7,963.97
TOTAL REVENUES	<u>8,631,500.00</u>	<u>8,962,000.00</u>	<u>9,001,289.17</u>	<u>39,289.17</u>
EXPENDITURES				
Current				
Legislative	313,000.00	299,200.00	291,768.98	7,431.02
Judicial	1,288,800.00	1,317,175.00	1,278,055.32	39,119.68
General government administration	2,305,075.00	2,244,800.00	2,185,859.92	58,940.08
Public safety	1,762,150.00	1,848,425.00	1,810,264.52	38,160.48
Public works	35,350.00	28,200.00	27,705.85	494.15
Health and social services	414,250.00	409,100.00	404,620.67	4,479.33
Parks, recreation, and cultural	500.00	500.00	495.20	4.80
Miscellaneous	126,850.00	13,100.00	12,829.45	270.55
TOTAL EXPENDITURES	<u>6,245,975.00</u>	<u>6,160,500.00</u>	<u>6,011,599.91</u>	<u>148,900.09</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,385,525.00</u>	<u>2,801,500.00</u>	<u>2,989,689.26</u>	<u>188,189.26</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	628,500.00	633,000.00	647,307.00	14,307.00
Transfers (out)	(3,014,025.00)	(3,434,500.00)	(3,365,600.00)	68,900.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,385,525.00)</u>	<u>(2,801,500.00)</u>	<u>(2,718,293.00)</u>	<u>83,207.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	0.00	0.00	271,396.26	271,396.26
FUND BALANCE, JANUARY 1	1,610,142.84	1,610,142.84	1,610,142.84	0.00
PRIOR PERIOD ADJUSTMENTS	<u>0.00</u>	<u>0.00</u>	<u>262.15</u>	<u>262.15</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,610,142.84</u>	<u>\$ 1,610,142.84</u>	<u>\$ 1,881,801.25</u>	<u>\$ 271,658.41</u>

MASON COUNTY, MICHIGAN
MAJOR GOVERNMENTAL FUNDS - GENERAL AND SPECIAL REVENUE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Medical Care Facility</u>				
REVENUES				
Property taxes	\$ 1,204,200.00	\$ 1,219,600.00	\$ 1,219,747.34	\$ 147.34
Charges for services	5,365,750.00	6,556,800.00	6,727,947.31	171,147.31
Interest and rental	11,350.00	66,150.00	75,251.59	9,101.59
Other	14,125.00	0.00	0.00	0.00
TOTAL REVENUES	<u>6,595,425.00</u>	<u>7,842,550.00</u>	<u>8,022,946.24</u>	<u>180,396.24</u>
EXPENDITURES				
Health and Welfare	6,593,825.00	7,423,300.00	7,570,214.69	(146,914.69)
TOTAL EXPENDITURES	<u>6,593,825.00</u>	<u>7,423,300.00</u>	<u>7,570,214.69</u>	<u>(146,914.69)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,600.00	419,250.00	452,731.55	33,481.55
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0.00	200,000.00	200,000.00	0.00
Operating transfers (out)	0.00	(606,400.00)	(606,360.87)	39.13
TOTAL OTHER FINANCING SOURCES (USES)	<u>0.00</u>	<u>(406,400.00)</u>	<u>(406,360.87)</u>	<u>39.13</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,600.00	12,850.00	46,370.68	33,520.68
FUND BALANCE, JANUARY 1	<u>1,340,066.94</u>	<u>1,340,066.94</u>	<u>1,340,066.94</u>	<u>0.00</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,341,666.94</u>	<u>\$ 1,352,916.94</u>	<u>\$ 1,386,437.62</u>	<u>\$ 33,520.68</u>

MASON COUNTY, MICHIGAN
MAJOR GOVERNMENTAL FUNDS - GENERAL AND SPECIAL REVENUE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Jail Operations</u>				
REVENUES				
Property taxes	\$ 972,825.00	\$ 983,350.00	\$ 983,546.32	\$ 196.32
Charges for services	235,150.00	214,300.00	269,950.71	55,650.71
Interest and rental	5,025.00	21,775.00	22,182.28	407.28
Other	8,000.00	17,075.00	642.00	(16,433.00)
TOTAL REVENUES	<u>1,221,000.00</u>	<u>1,236,500.00</u>	<u>1,276,321.31</u>	<u>39,821.31</u>
EXPENDITURES				
Public Safety	<u>2,327,875.00</u>	<u>2,330,350.00</u>	<u>2,322,281.63</u>	<u>8,068.37</u>
TOTAL EXPENDITURES	<u>2,327,875.00</u>	<u>2,330,350.00</u>	<u>2,322,281.63</u>	<u>8,068.37</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,106,875.00)	(1,093,850.00)	(1,045,960.32)	47,889.68
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,210,000.00	1,144,500.00	1,144,500.00	0.00
Operating transfers (out)	<u>(103,125.00)</u>	<u>(93,650.00)</u>	<u>(93,626.68)</u>	<u>23.32</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,106,875.00</u>	<u>1,050,850.00</u>	<u>1,050,873.32</u>	<u>23.32</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	0.00	(43,000.00)	4,913.00	47,913.00
FUND BALANCE, JANUARY 1	260,982.37	260,982.37	260,982.37	0.00
PRIOR PERIOD ADJUSTMENT	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FUND BALANCE, DECEMBER 31	<u>\$ 260,982.37</u>	<u>\$ 217,982.37</u>	<u>\$ 265,895.37</u>	<u>\$ 47,913.00</u>

MASON COUNTY, MICHIGAN
MAJOR GOVERNMENTAL FUNDS - GENERAL AND SPECIAL REVENUE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenue Sharing Reserve</u>				
REVENUES				
Property taxes	\$ 2,000,000.00	\$ 2,000,000.00	\$ 2,041,136.90	\$ 41,136.90
Interest and rental	<u>50,000.00</u>	<u>50,000.00</u>	<u>118,093.35</u>	<u>68,093.35</u>
TOTAL REVENUES	<u>2,050,000.00</u>	<u>2,050,000.00</u>	<u>2,159,230.25</u>	<u>109,230.25</u>
EXPENDITURES				
General government	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL EXPENDITURES	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,050,000.00	2,050,000.00	2,159,230.25	109,230.25
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	<u>(510,500.00)</u>	<u>(515,000.00)</u>	<u>(514,997.00)</u>	<u>3.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,539,500.00	1,535,000.00	1,644,233.25	109,233.25
FUND BALANCE, JANUARY 1	3,399,837.06	3,399,837.06	3,399,837.06	0.00
PRIOR PERIOD ADJUSTMENT	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FUND BALANCE, DECEMBER 31	\$ <u>4,939,337.06</u>	\$ <u>4,934,837.06</u>	\$ <u>5,044,070.31</u>	\$ <u>109,233.25</u>

GENERAL FUND

The General Fund is used to account for resources traditionally associated with local government, and any other activity for which a special fund has not been created.

MASON COUNTY, MICHIGAN
BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2006

ASSETS

Cash and cash equivalents	\$	833,062.76
Investments		905,297.48
Property taxes receivable		148,622.04
Accounts receivable		20,974.02
Interest receivable		19,791.64
Prepaid items		101,783.35
Due from other funds		99,589.23
Due from federal and state governments		<u>170,047.44</u>
TOTAL ASSETS	\$	<u><u>2,299,167.96</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	113,216.30
Deposits payable		2,000.00
Discount on investment		2,123.34
Due to others		41,904.93
Accrued wages		<u>109,500.10</u>
TOTAL LIABILITIES		<u>268,744.67</u>

DEFERRED REVENUE

148,622.04

FUND BALANCE

Reserved for prepaid items		101,783.35
Undesignated and unreserved		<u>1,780,017.90</u>
TOTAL FUND BALANCE		<u>1,881,801.25</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>2,299,167.96</u></u>

MASON COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUES	
Taxes	\$ 6,697,771.14
Licenses and permits	103,965.97
Intergovernmental	
Federal	272,157.76
State	717,433.89
Charges for services	789,515.09
Fine and forfeitures	430.00
Interest and rents	216,826.35
Other revenue	203,188.97
TOTAL REVENUES	9,001,289.17
EXPENDITURES	
Legislative	291,768.98
Judicial	1,278,055.32
General government	2,185,859.92
Public safety	1,810,264.52
Public works	27,705.85
Health and welfare	404,620.67
Other	12,829.45
Recreation & Cultural	495.20
TOTAL EXPENDITURES	6,011,599.91
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,989,689.26
OTHER FINANCING SOURCES (USES)	
Transfers in	647,307.00
Transfers out	(3,365,600.00)
TOTAL OTHER FINANCING SOURCES (USES)	(2,718,293.00)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	271,396.26
FUND BALANCE, JANUARY 1	1,610,142.84
PRIOR PERIOD ADJUSTMENTS	262.15
FUND BALANCE, DECEMBER 31	\$ 1,881,801.25

MASON COUNTY, MICHIGAN
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
District court	\$ 247,575.00	\$ 304,200.00	\$ 303,873.70	\$ (326.30)
Board of Commissioners	0.00	750.00	827.54	77.54
Friend of the court	15,725.00	22,725.00	23,387.49	662.49
Probate court	19,625.00	15,925.00	15,499.92	(425.08)
Juvenile court	47,350.00	42,500.00	42,283.25	(216.75)
Family counseling service	3,400.00	3,550.00	3,645.00	95.00
Prosecutor	6,175.00	12,450.00	12,314.77	(135.23)
County clerk	83,500.00	79,100.00	79,067.16	(32.84)
Register of deeds	282,125.00	297,025.00	301,772.81	4,747.81
Property tax collections	6,342,000.00	6,412,000.00	6,424,386.67	12,386.67
Delinquent personal tax	12,000.00	35,025.00	35,336.44	311.44
Other taxes	156,550.00	179,100.00	178,027.03	(1,072.97)
Payment in lieu of tax	57,800.00	60,000.00	60,021.00	21.00
Probate judge supplement	101,700.00	102,075.00	102,085.90	10.90
Judicial salary standardization	128,475.00	128,475.00	128,484.40	9.40
Court financing reimbursements	174,000.00	161,300.00	160,486.57	(813.43)
Emergency management	9,000.00	7,475.00	13,401.45	5,926.45
Sheriff road patrol	65,350.00	70,575.00	71,151.00	576.00
Marine patrol	19,700.00	27,875.00	27,891.00	16.00
Drunk driving case flow	6,925.00	6,975.00	6,987.91	12.91
C.R.P. reimbursement	233,000.00	222,175.00	218,862.40	(3,112.60)
Victims' rights	16,000.00	20,975.00	16,780.00	(4,195.00)
Cigarette tax	16,250.00	16,675.00	16,699.00	24.00
Convention facility tax	70,325.00	73,575.00	73,593.00	18.00
Township liquor license	11,000.00	11,425.00	11,429.00	4.00
State survey/remonumentation	31,400.00	49,900.00	51,160.00	1,260.00
Drug case information management	750.00	525.00	532.98	7.98
Coastal Management Grant	0.00	3,750.00	3,750.00	0.00
Investment income	95,000.00	194,150.00	208,947.25	14,797.25
Rents and leases	7,600.00	7,875.00	7,879.10	4.10
Reimbursements - refunds	154,300.00	189,700.00	197,475.42	7,775.42
Friend of the court - incentive programs	40,000.00	29,425.00	29,156.00	(269.00)
Other treasurer's fees	6,325.00	5,200.00	5,336.50	136.50
Sheriff's department	8,800.00	6,575.00	6,676.47	101.47
S.S.C.E.N.T. program	25,500.00	29,100.00	25,235.00	(3,865.00)
Highway Safety Grant	0.00	0.00	4,589.00	4,589.00
Drain commissioner	31,000.00	33,400.00	32,930.04	(469.96)
Animal control	78,275.00	69,075.00	69,494.50	419.50
Zoning department	27,000.00	29,400.00	29,832.50	432.50
TOTAL REVENUES	\$ 8,631,500.00	\$ 8,962,000.00	\$ 9,001,289.17	\$ 39,289.17

MASON COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES				
Animal control	\$ 108,750.00	\$ 110,000.00	\$ 106,586.24	\$ 3,413.76
Audit	14,100.00	14,100.00	14,033.30	66.70
Board of commissioners	152,200.00	145,000.00	142,465.44	2,534.56
Circuit court	283,000.00	288,500.00	280,246.39	8,253.61
Circuit court appointed attorney	96,000.00	134,600.00	131,843.04	2,756.96
Contingency	107,000.00	0.00	0.00	0.00
County administrator	160,800.00	154,200.00	149,303.54	4,896.46
County maintenance	124,900.00	82,000.00	78,126.24	3,873.76
Copy machine	25,000.00	20,200.00	19,200.59	999.41
County clerk's office	309,000.00	305,200.00	297,555.19	7,644.81
County Plat Board	275.00	200.00	0.00	200.00
Courthouse maintenance	123,200.00	125,700.00	121,048.38	4,651.62
Department of public works	25,850.00	26,000.00	25,476.39	523.61
District court	421,500.00	422,000.00	408,810.49	13,189.51
District court appointed attorney	42,000.00	44,900.00	44,257.20	642.80
Department of corrections	9,300.00	6,300.00	6,623.81	(323.81)
Drain commissioner	209,350.00	208,900.00	202,486.63	6,413.37
Drains at large	9,500.00	2,200.00	2,229.46	(29.46)
Emergency planning	32,400.00	41,700.00	40,494.73	1,205.27
Employee Benefits	4,900.00	0.00	0.00	0.00
Extension office	115,000.00	118,300.00	115,765.48	2,534.52
Election and board of canvassers	74,650.00	72,200.00	71,172.80	1,027.20
Equalization department	292,000.00	280,900.00	273,809.25	7,090.75
Family counseling service	4,000.00	3,575.00	3,555.00	20.00
Health department	68,750.00	54,600.00	53,145.67	1,454.33
Insurance and surety	4,450.00	2,600.00	2,329.45	270.55
Jail Annex Maintenance	26,200.00	17,000.00	16,912.56	87.44
Jury commission	6,500.00	6,700.00	6,572.91	127.09
Juvenile Court	0.00	25,000.00	27,129.39	(2,129.39)
Mason County Growth Alliance	100,000.00	100,000.00	100,000.00	0.00
Medical examiner	24,000.00	28,000.00	24,650.00	3,350.00
Parks and recreation	500.00	500.00	495.20	4.80
Planning commission	5,000.00	8,300.00	4,954.22	3,345.78
Probate Court	426,500.00	385,600.00	369,017.09	16,582.91
Prosecutor's office	368,000.00	378,400.00	368,708.24	9,691.76
Regional planning	7,650.00	7,650.00	7,633.98	16.02
Register of deeds	178,300.00	174,400.00	169,898.00	4,502.00
Remonumentation	31,400.00	51,200.00	51,160.00	40.00
Scottville Office Maintenance	24,900.00	17,000.00	17,712.49	(712.49)
Service building	29,075.00	29,200.00	22,673.91	6,526.09
Sheriff emergency response team	10,000.00	10,000.00	9,937.50	62.50
Sheriff road patrol	1,203,000.00	1,277,400.00	1,256,454.21	20,945.79

MASON COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES - Concluded				
Sheriff - marine safety	\$ 64,625.00	\$ 54,800.00	\$ 52,385.98	\$ 2,414.02
Sheriff's secondary road patrol	110,250.00	113,900.00	115,168.43	(1,268.43)
Sheriff - S.S.C.E.N.T. program	74,000.00	83,800.00	75,785.29	8,014.71
Tax allocation boards	1,000.00	600.00	553.96	46.04
Treasurer's office	259,000.00	249,500.00	245,042.90	4,457.10
Veterans' burial	14,000.00	20,000.00	21,325.00	(1,325.00)
Zoning department	146,000.00	140,675.00	140,863.94	(188.94)
Resource Conservation & Development	200.00	0.00	0.00	0.00
Mason - Lake soil conservation	10,500.00	10,500.00	10,500.00	0.00
District Health Dept. #10	165,750.00	165,750.00	165,750.00	0.00
Mental health authority	139,750.00	139,750.00	139,750.00	0.00
Child and family services	2,000.00	1,000.00	0.00	1,000.00
TOTAL EXPENDITURES BEFORE OTHER FINANCING SOURCES	\$ 6,245,975.00	\$ 6,160,500.00	\$ 6,011,599.91	\$ 148,900.09

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory provisions to pay for certain activities with some special form of continuing revenues.

Special Revenue Funds in Mason County are the Senior Citizens, Ambulance, Friend of the Court, Landfill Perpetual Care, Junk Ordinance Administration, Solid Waste Management Plan, Vacation and Sick Pay Trust, Medical Care Facility Employee Benefits, Spay/Neuter Deposit Forfeiture, Economic Development, Building Department, Courthouse Preservation, Principal Residence Exemption, Register of Deeds Automation, Budget Stabilization, Community Corrections, DARE Program, Corrections Officers Training, Drug Law Enforcement, Jail Operations, County Law Library, District Library, Community Development Block Grant, Emergency Management Grant, Victims' Assistance, Revenue Sharing Reserve, Justice Training, Social Welfare, Medical Care Facility, Child Care, Soldiers' and Sailors' Relief, Veterans' Trust, and Building Authority Operations.

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2006

	SENIOR CITIZENS	FRIEND OF THE COURT	SOLID WASTE MANAGEMENT PLAN	SPAY/NEUTER DEPOSIT
ASSETS				
Cash and cash equivalents	\$ 53,386.27	\$ 104,143.71	\$ 1,100.43	\$ 15,191.77
Investments	0.00	0.00	21,151.33	0.00
Premium on investment	0.00	0.00	0.00	0.00
Taxes receivable	284,134.95	0.00	0.00	0.00
Accounts receivable	0.00	0.00	0.00	0.00
Interest receivable	0.00	0.00	45.37	0.00
Prepaid items	1,165.50	1,632.88	0.00	0.00
Due from other units	0.00	0.00	0.00	0.00
Due from other funds	0.00	0.00	0.00	0.00
Due from state	0.00	0.00	0.00	0.00
Due from federal	0.00	0.00	0.00	0.00
TOTAL ASSETS	\$ 338,686.72	\$ 105,776.59	\$ 22,297.13	\$ 15,191.77
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 25,133.10	\$ 534.14	\$ 0.00	\$ 0.00
Discount on investment	0.00	0.00	0.00	0.00
Due to individuals	0.00	48.73	0.00	5,045.00
Accrued expenses	0.00	7,117.69	0.00	0.00
Deposits payable	0.00	0.00	0.00	0.00
Due to other units	0.00	0.00	0.00	0.00
Due to state	0.00	0.00	0.00	0.00
Due to other funds	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	25,133.10	7,700.56	0.00	5,045.00
DEFERRED REVENUE	284,134.95	0.00	0.00	0.00
FUND BALANCE				
Reserved for prepaid items	1,165.50	1,632.88	0.00	0.00
Reserved for perpetual care	0.00	0.00	0.00	0.00
Reserved for payment of accumulated vacation and sick pay	0.00	0.00	0.00	0.00
Undesignated	28,253.17	96,443.15	22,297.13	10,146.77
TOTAL FUND BALANCE	29,418.67	98,076.03	22,297.13	10,146.77
TOTAL LIABILITIES AND FUND BALANCE	\$ 338,686.72	\$ 105,776.59	\$ 22,297.13	\$ 15,191.77

ECONOMIC DEVELOPMENT	BUILDING DEPARTMENT	COURTHOUSE PRESERVATION	REGISTER OF DEEDS AUTOMATION	BUDGET STABILIZATION
\$ 36,570.41	\$ 298,556.48	\$ 49,349.64	\$ 19,703.13	\$ 4,682.43
13,874.72	0.00	50,437.17	0.00	1,365,870.64
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
4.90	0.00	643.43	74.60	8,042.34
0.00	848.03	0.00	8,910.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
22,301.58	0.00	0.00	0.00	0.00
<u>\$ 72,751.61</u>	<u>\$ 299,404.51</u>	<u>\$ 100,430.24</u>	<u>\$ 28,687.73</u>	<u>\$ 1,378,595.41</u>
\$ 10,739.00	\$ 98,417.00	\$ 0.00	\$ 0.00	\$ 0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	1,716.25	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	83,210.00
<u>10,739.00</u>	<u>100,133.25</u>	<u>0.00</u>	<u>0.00</u>	<u>83,210.00</u>
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
0.00	848.03	0.00	8,910.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
<u>62,012.61</u>	<u>198,423.23</u>	<u>100,430.24</u>	<u>19,777.73</u>	<u>1,295,385.41</u>
<u>62,012.61</u>	<u>199,271.26</u>	<u>100,430.24</u>	<u>28,687.73</u>	<u>1,295,385.41</u>
<u>\$ 72,751.61</u>	<u>\$ 299,404.51</u>	<u>\$ 100,430.24</u>	<u>\$ 28,687.73</u>	<u>\$ 1,378,595.41</u>

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Continued
DECEMBER 31, 2006

	COMMUNITY CORRECTIONS	DARE PROGRAM	VICTIM'S ASSISTANCE	DRUG LAW ENFORCEMENT
ASSETS				
Cash and cash equivalents	\$ 2,219.04	\$ 1,340.93	\$ 11,226.91	\$ 17,832.43
Investments	0.00	0.00	0.00	0.00
Premium on investment	0.00	0.00	0.00	0.00
Taxes receivable	0.00	0.00	0.00	0.00
Accounts receivable	420.00	0.00	0.00	0.00
Interest receivable	0.00	0.00	0.00	0.00
Prepaid items	278.50	0.00	0.00	0.00
Due from other units	0.00	0.00	0.00	0.00
Due from other funds	0.00	0.00	0.00	0.00
Due from state	10,980.26	0.00	0.00	0.00
Due from federal	0.00	0.00	0.00	0.00
TOTAL ASSETS	\$ 13,897.80	\$ 1,340.93	\$ 11,226.91	\$ 17,832.43
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 2,433.85	\$ 0.00	\$ 0.00	\$ 0.00
Discount on investment	0.00	0.00	0.00	0.00
Due to individuals	0.00	0.00	0.00	0.00
Accrued expenses	0.00	0.00	0.00	0.00
Deposits payable	575.00	0.00	0.00	0.00
Due to other units	0.00	0.00	0.00	0.00
Due to state	0.00	0.00	0.00	0.00
Due to other funds	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	3,008.85	0.00	0.00	0.00
DEFERRED REVENUE	0.00	0.00	0.00	0.00
FUND BALANCE				
Reserved for prepaid items	278.50	0.00	0.00	0.00
Reserved for perpetual care	0.00	0.00	0.00	0.00
Reserved for payment of accumulated vacation and sick pay	0.00	0.00	0.00	0.00
Undesignated	10,610.45	1,340.93	11,226.91	17,832.43
TOTAL FUND BALANCE	10,888.95	1,340.93	11,226.91	17,832.43
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,897.80	\$ 1,340.93	\$ 11,226.91	\$ 17,832.43

JAIL OPERATION	COUNTY LAW LIBRARY	DISTRICT LIBRARY	COMMUNITY DEVELOPMENT BLOCK GRANT
\$ 310,296.71	\$ 1,860.39	\$ 12,466.02	\$ 67,216.43
0.00	0.00	94,718.92	0.00
0.00	0.00	0.00	0.00
1,001,639.69	0.00	637,639.78	0.00
200.00	0.00	0.00	0.00
1,249.57	0.00	1,138.29	0.00
25,164.87	0.00	14,517.83	0.00
0.00	0.00	0.00	0.00
0.00	875.00	26,682.44	0.00
42,481.21	0.00	0.00	0.00
0.00	0.00	0.00	0.00
<u>\$ 1,381,032.05</u>	<u>\$ 2,735.39</u>	<u>\$ 787,163.28</u>	<u>\$ 67,216.43</u>
\$ 57,855.84	\$ 1,119.00	\$ 19,243.04	\$ 0.00
0.00	0.00	0.00	0.00
16,874.36	0.00	0.00	0.00
38,766.79	0.00	14,217.38	0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
<u>113,496.99</u>	<u>1,119.00</u>	<u>33,460.42</u>	<u>0.00</u>
<u>1,001,639.69</u>	<u>0.00</u>	<u>637,639.78</u>	<u>0.00</u>
25,164.87	0.00	14,517.83	0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
240,730.50	1,616.39	101,545.25	67,216.43
<u>265,895.37</u>	<u>1,616.39</u>	<u>116,063.08</u>	<u>67,216.43</u>
<u>\$ 1,381,032.05</u>	<u>\$ 2,735.39</u>	<u>\$ 787,163.28</u>	<u>\$ 67,216.43</u>

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Continued
DECEMBER 31, 2006

	EMERGENCY MANAGEMENT GRANT	JUSTICE TRAINING	SOCIAL WELFARE	MEDICAL CARE FACILITY
ASSETS				
Cash and cash equivalents	\$ 0.00	\$ 2,001.26	\$ 29,151.03	\$ 248,979.15
Investments	0.00	0.00	0.00	920,311.88
Premium on investment	0.00	0.00	0.00	0.00
Taxes receivable	0.00	0.00	0.00	1,243,410.37
Accounts receivable	901.88	0.00	0.00	603,185.61
Interest receivable	0.00	0.00	0.00	6,615.74
Prepaid items	146.29	0.00	0.00	0.00
Due from other units	0.00	0.00	0.00	0.00
Due from other funds	0.00	0.00	0.00	0.00
Due from state	8,779.56	0.00	0.00	0.00
Due from federal	0.00	0.00	0.00	0.00
TOTAL ASSETS	\$ 9,827.73	\$ 2,001.26	\$ 29,151.03	\$ 3,022,502.75
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 0.00	\$ 550.47	\$ 0.00	\$ 280,822.10
Discount on investment	0.00	0.00	0.00	0.00
Due to individuals	0.00	0.00	0.00	11,755.01
Accrued expenses	347.49	0.00	0.00	100,077.65
Deposits payable	0.00	0.00	0.00	0.00
Due to other units	0.00	0.00	0.00	0.00
Due to state	0.00	0.00	0.00	0.00
Due to other funds	5,819.87	0.00	0.00	0.00
TOTAL LIABILITIES	6,167.36	550.47	0.00	392,654.76
DEFERRED REVENUE	0.00	0.00	0.00	1,243,410.37
FUND BALANCE				
Reserved for prepaid items	146.29	0.00	0.00	0.00
Reserved for perpetual care	0.00	0.00	0.00	0.00
Reserved for payment of accumulated vacation and sick pay	0.00	0.00	0.00	0.00
Undesignated	3,514.08	1,450.79	29,151.03	1,386,437.62
TOTAL FUND BALANCE	3,660.37	1,450.79	29,151.03	1,386,437.62
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,827.73	\$ 2,001.26	\$ 29,151.03	\$ 3,022,502.75

CHILD CARE	SOLDIERS' AND SAILORS' RELIEF	VETERANS' TRUST	BUILDING AUTHORITY OPERATIONS	JUNK ORDINANCE
\$ 175,390.74	\$ 8,279.90	\$ 101.49	\$ 470,244.07	\$ 0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	3,839.66	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	1,985.75	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
41,734.52	0.00	654.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
<u>\$ 217,125.26</u>	<u>\$ 12,119.56</u>	<u>\$ 755.49</u>	<u>\$ 472,229.82</u>	<u>\$ 0.00</u>
\$ 14,329.57	\$ 0.00	\$	\$ 1,507.44	\$ 0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
3,350.85	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	4,725.02	0.00
0.00	0.00	0.00	0.00	0.00
<u>17,680.42</u>	<u>0.00</u>	<u>0.00</u>	<u>6,232.46</u>	<u>0.00</u>
<u>0.00</u>	<u>3,839.66</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
<u>199,444.84</u>	<u>8,279.90</u>	<u>755.49</u>	<u>465,997.36</u>	<u>0.00</u>
<u>199,444.84</u>	<u>8,279.90</u>	<u>755.49</u>	<u>465,997.36</u>	<u>0.00</u>
<u>\$ 217,125.26</u>	<u>\$ 12,119.56</u>	<u>\$ 755.49</u>	<u>\$ 472,229.82</u>	<u>\$ 0.00</u>

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Concluded
DECEMBER 31, 2006

	LANDFILL PERPETUAL CARE	MCF EMPLOYEE BENEFITS	VACATION & SICK PAY TRUST
ASSETS			
Cash and cash equivalents	\$ 187,714.88	\$ 10,709.81	\$ 100,174.45
Investments	1,829,930.41	75,244.73	357,354.83
Premium on investment	747.20	0.00	0.00
Taxes receivable	0.00	0.00	0.00
Accounts receivable	0.00	0.00	0.00
Interest receivable	24,851.82	1,521.68	4,793.57
Prepaid items	0.00	0.00	0.00
Due from other units	0.00	0.00	0.00
Due from other funds	0.00	0.00	0.00
Due from state	0.00	0.00	0.00
Due from federal	0.00	0.00	0.00
TOTAL ASSETS	\$ 2,043,244.31	\$ 87,476.22	\$ 462,322.85
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 1,695.66	\$ 0.00	\$ 0.00
Discount on investment	15,544.60	0.00	2,087.50
Due to individuals	0.00	0.00	0.00
Accrued expenses	0.00	0.00	0.00
Deposits payable	0.00	0.00	0.00
Due to other units	0.00	0.00	0.00
Due to state	0.00	0.00	0.00
Due to other funds	375.00	0.00	0.00
TOTAL LIABILITIES	17,615.26	0.00	2,087.50
DEFERRED REVENUE	0.00	0.00	0.00
FUND BALANCE			
Reserved for prepaid items	0.00	0.00	0.00
Reserved for perpetual care	2,025,629.05	0.00	0.00
Reserved for payment of accumulated vacation and sick pay	0.00	87,476.22	460,235.35
Undesignated	0.00	0.00	0.00
TOTAL FUND BALANCE	2,025,629.05	87,476.22	460,235.35
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,043,244.31	\$ 87,476.22	\$ 462,322.85

PRINCIPAL RESIDENCE EXEMPTION	CORRECTIONS OFFICERS TRAINING	REVENUE SHARING RESERVE	AMBULANCE	TOTAL
\$ 3,031.83	\$ 5,971.37	\$ 258,003.76	\$ 193,465.16	\$ 2,700,362.03
0.00	0.00	2,713,462.05	0.00	7,442,356.68
0.00	0.00	0.00	0.00	747.20
12,141.95	0.00	2,041,136.90	0.00	5,223,943.30
0.00	0.00	0.00	250.00	604,957.49
0.00	0.00	31,467.60	1,285.02	83,719.68
0.00	0.00	0.00	0.00	52,663.90
1,363.33	0.00	0.00	0.00	1,363.33
0.00	0.00	0.00	0.00	27,557.44
18.34	5,196.55	0.00	0.00	109,844.44
0.00	0.00	0.00	0.00	22,301.58
<u>\$ 16,555.45</u>	<u>\$ 11,167.92</u>	<u>\$ 5,044,070.31</u>	<u>\$ 195,000.18</u>	<u>\$ 16,269,817.07</u>
\$ 0.00	\$ 134.09	\$ 0.00	\$ 0.00	\$ 514,514.30
0.00	0.00	0.00	0.00	17,632.10
0.00	0.00	0.00	0.00	33,723.10
0.00	0.00	0.00	0.00	165,594.10
0.00	0.00	0.00	0.00	575.00
15,345.01	0.00	0.00	0.00	15,345.01
0.00	0.00	0.00	0.00	4,725.02
0.00	0.00	0.00	0.00	89,404.87
<u>15,345.01</u>	<u>134.09</u>	<u>0.00</u>	<u>0.00</u>	<u>841,513.50</u>
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,170,664.45</u>
0.00	0.00	0.00	0.00	52,663.90
0.00	0.00	0.00	0.00	2,025,629.05
0.00	0.00	0.00	0.00	547,711.57
<u>1,210.44</u>	<u>11,033.83</u>	<u>5,044,070.31</u>	<u>195,000.18</u>	<u>9,631,634.60</u>
<u>1,210.44</u>	<u>11,033.83</u>	<u>5,044,070.31</u>	<u>195,000.18</u>	<u>12,257,639.12</u>
<u>\$ 16,555.45</u>	<u>\$ 11,167.92</u>	<u>\$ 5,044,070.31</u>	<u>\$ 195,000.18</u>	<u>\$ 16,269,817.07</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	SENIOR CITIZENS	FRIEND OF THE COURT	SOLID WASTE MANAGEMENT PLAN	SPAY/NEUTER DEPOSIT
REVENUES				
Taxes	\$ 251,172.08	\$ 0.00	\$ 0.00	\$ 0.00
Federal grants	0.00	0.00	0.00	0.00
State grants	0.00	0.00	0.00	0.00
Charges for services	0.00	8,656.14	0.00	0.00
Interest and rents	0.00	0.00	953.57	0.00
Fines and forfeits	0.00	0.00	0.00	4,850.00
Other	0.00	0.00	0.00	0.00
TOTAL REVENUE	251,172.08	8,656.14	953.57	4,850.00
EXPENDITURES				
General government	0.00	0.00	0.00	0.00
Public safety	0.00	0.00	0.00	0.00
Health and welfare	287,891.25	0.00	0.00	1,075.00
Cultural and recreational	0.00	0.00	0.00	0.00
Judicial	0.00	271,459.91	0.00	0.00
Employee Benefits	0.00	0.00	0.00	0.00
Landfill perpetual care	0.00	0.00	0.00	0.00
Trust paying agent fees	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	287,891.25	271,459.91	0.00	1,075.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,719.17)	(262,803.77)	953.57	3,775.00
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	280,000.00	0.00	0.00
Transfers out	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00	280,000.00	0.00	0.00
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(36,719.17)	17,196.23	953.57	3,775.00
FUND BALANCE, JANUARY 1	66,137.84	80,879.80	21,343.56	6,371.77
PRIOR PERIOD ADJUSTMENTS	0.00	0.00	0.00	0.00
FUND BALANCE, DECEMBER 31	\$ 29,418.67	\$ 98,076.03	\$ 22,297.13	\$ 10,146.77

ECONOMIC DEVELOPMENT	BUILDING DEPARTMENT	COURTHOUSE PRESERVATION	REGISTER OF DEEDS AUTOMATION	BUDGET STABILIZATION
\$ 142,128.34	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
76,420.39	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
600.00	356,625.90	0.00	41,425.00	0.00
581.12	0.00	3,903.58	660.60	63,789.81
0.00	0.00	28,081.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
<u>219,729.85</u>	<u>356,625.90</u>	<u>31,984.58</u>	<u>42,085.60</u>	<u>63,789.81</u>
283,200.55	396,316.94	0.00	820.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
<u>283,200.55</u>	<u>396,316.94</u>	<u>0.00</u>	<u>820.00</u>	<u>0.00</u>
(63,470.70)	(39,691.04)	31,984.58	41,265.60	63,789.81
0.00	0.00	0.00	0.00	0.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(25,000.00)</u>	<u>(14,310.00)</u>
0.00	0.00	0.00	(25,000.00)	(14,310.00)
(63,470.70)	(39,691.04)	31,984.58	16,265.60	49,479.81
125,483.31	296,937.30	68,445.66	12,422.13	1,245,905.60
0.00	(57,975.00)	0.00	0.00	0.00
<u>\$ 62,012.61</u>	<u>\$ 199,271.26</u>	<u>\$ 100,430.24</u>	<u>\$ 28,687.73</u>	<u>\$ 1,295,385.41</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - Continued
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	COMMUNITY CORRECTIONS	DARE PROGRAM	VICTIM'S ASSISTANCE	DRUG LAW ENFORCEMENT
REVENUES				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Federal grants	0.00	0.00	0.00	0.00
State grants	76,145.32	0.00	0.00	0.00
Charges for services	9,614.10	0.00	0.00	0.00
Interest and rents	0.00	0.00	0.00	5,105.44
Fines and forfeits	0.00	0.00	0.00	22,795.78
Other	0.00	1,000.00	2,790.00	2,175.50
TOTAL REVENUE	85,759.42	1,000.00	2,790.00	30,076.72
EXPENDITURES				
General government	0.00	0.00	0.00	0.00
Public safety	0.00	0.00	78.99	168,282.30
Health and welfare	0.00	0.00	0.00	0.00
Cultural and recreational	0.00	0.00	0.00	0.00
Judicial	83,078.42	0.00	0.00	0.00
Employee Benefits	0.00	0.00	0.00	0.00
Landfill perpetual care	0.00	0.00	0.00	0.00
Trust paying agent fees	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	83,078.42	0.00	78.99	168,282.30
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,681.00	1,000.00	2,711.01	(138,205.58)
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	0.00	0.00
Transfers out	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,681.00	1,000.00	2,711.01	(138,205.58)
FUND BALANCE, JANUARY 1	8,207.95	340.93	8,515.90	156,038.01
PRIOR PERIOD ADJUSTMENTS	0.00	0.00	0.00	0.00
FUND BALANCE, DECEMBER 31	\$ 10,888.95	\$ 1,340.93	\$ 11,226.91	\$ 17,832.43

JAIL OPERATION	COUNTY LAW LIBRARY	DISTRICT LIBRARY	COMMUNITY DEVELOPMENT BLOCK GRANT
\$ 983,546.32	\$ 0.00	\$ 627,716.30	\$ 0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
269,950.71	0.00	7,196.23	0.00
22,182.28	0.00	27,647.08	0.00
0.00	3,500.00	125,376.81	0.00
642.00	0.00	53,679.62	62,581.00
<u>1,276,321.31</u>	<u>3,500.00</u>	<u>841,616.04</u>	<u>62,581.00</u>
0.00	0.00	0.00	0.00
2,322,281.63	0.00	0.00	0.00
0.00	0.00	0.00	3,415.45
0.00	0.00	814,592.42	0.00
0.00	13,256.51	0.00	0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
<u>2,322,281.63</u>	<u>13,256.51</u>	<u>814,592.42</u>	<u>3,415.45</u>
<u>(1,045,960.32)</u>	<u>(9,756.51)</u>	<u>27,023.62</u>	<u>59,165.55</u>
1,144,500.00	9,000.00	0.00	0.00
<u>(93,626.68)</u>	<u>0.00</u>	<u>(44,672.13)</u>	<u>0.00</u>
<u>1,050,873.32</u>	<u>9,000.00</u>	<u>(44,672.13)</u>	<u>0.00</u>
4,913.00	(756.51)	(17,648.51)	59,165.55
260,982.37	2,372.90	133,711.59	8,050.88
0.00	0.00	0.00	0.00
<u>\$ 265,895.37</u>	<u>\$ 1,616.39</u>	<u>\$ 116,063.08</u>	<u>\$ 67,216.43</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - Continued
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	EMERGENCY MANAGEMENT GRANT	JUSTICE TRAINING	SOCIAL WELFARE	MEDICAL CARE FACILITY
REVENUES				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,219,747.34
Federal grants	65,681.68	0.00	0.00	0.00
State grants	0.00	4,516.11	0.00	0.00
Charges for services	0.00	0.00	0.00	6,727,947.31
Interest and rents	0.00	0.00	0.00	75,251.59
Fines and forfeits	0.00	0.00	0.00	0.00
Other	0.00	0.00	8,097.56	0.00
TOTAL REVENUE	65,681.68	4,516.11	8,097.56	8,022,946.24
EXPENDITURES				
General government	0.00	0.00	0.00	0.00
Public safety	63,190.84	6,281.05	36,003.16	0.00
Health and welfare	0.00	0.00	0.00	7,570,214.69
Cultural and recreational	0.00	0.00	0.00	0.00
Judicial	0.00	0.00	0.00	0.00
Employee Benefits	0.00	0.00	0.00	0.00
Landfill perpetual care	0.00	0.00	0.00	0.00
Trust paying agent fees	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	63,190.84	6,281.05	36,003.16	7,570,214.69
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,490.84	(1,764.94)	(27,905.60)	452,731.55
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	24,000.00	200,000.00
Transfers out	0.00	0.00	0.00	(606,360.87)
TOTAL OTHER FINANCING SOURCES (USES)	0.00	0.00	24,000.00	(406,360.87)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,490.84	(1,764.94)	(3,905.60)	46,370.68
FUND BALANCE, JANUARY 1	1,169.53	3,215.73	33,056.63	1,340,066.94
PRIOR PERIOD ADJUSTMENTS	0.00	0.00	0.00	0.00
FUND BALANCE, DECEMBER 31	\$ 3,660.37	\$ 1,450.79	\$ 29,151.03	\$ 1,386,437.62

CHILD CARE	SOLDIERS' AND SAILORS' RELIEF	VETERANS' TRUST	BUILDING AUTHORITY OPERATIONS	JUNK ORDINANCE
\$ 0.00	\$ 3,652.61	\$ 0.00	\$ 0.00	\$ 0.00
0.00	0.00	0.00	0.00	0.00
210,698.35	0.00	2,616.00	0.00	0.00
29,689.95	0.00	0.00	0.00	0.00
0.00	0.00	0.00	308,430.17	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
<u>240,388.30</u>	<u>3,652.61</u>	<u>2,616.00</u>	<u>308,430.17</u>	<u>0.00</u>
0.00	0.00	0.00	70,495.04	0.00
0.00	0.00	0.00	0.00	8,000.00
475,696.07	1,865.77	2,455.62	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
<u>475,696.07</u>	<u>1,865.77</u>	<u>2,455.62</u>	<u>70,495.04</u>	<u>8,000.00</u>
<u>(235,307.77)</u>	<u>1,786.84</u>	<u>160.38</u>	<u>237,935.13</u>	<u>(8,000.00)</u>
242,500.00	0.00	0.00	0.00	8,000.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>242,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>8,000.00</u>
7,192.23	1,786.84	160.38	237,935.13	0.00
192,252.61	6,493.06	595.11	231,136.15	0.00
0.00	0.00	0.00	(3,073.92)	0.00
<u>\$ 199,444.84</u>	<u>\$ 8,279.90</u>	<u>\$ 755.49</u>	<u>\$ 465,997.36</u>	<u>\$ 0.00</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - Concluded
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	LANDFILL PERPETUAL CARE	MCF EMPLOYEE BENEFITS	VACATION AND SICK PAY
REVENUES			
Taxes	\$ 0.00	\$ 0.00	\$ 0.00
Federal grants	0.00	0.00	0.00
State grants	0.00	0.00	0.00
Charges for services	0.00	0.00	0.00
Interest and rents	82,857.73	4,023.43	20,740.66
Fines and forfeits	0.00	0.00	0.00
Other	25,339.90	0.00	0.00
TOTAL REVENUE	<u>108,197.63</u>	<u>4,023.43</u>	<u>20,740.66</u>
EXPENDITURES			
General government	0.00	0.00	0.00
Public safety	0.00	0.00	0.00
Health and welfare	0.00	0.00	0.00
Cultural and recreational	0.00	0.00	0.00
Judicial	0.00	0.00	0.00
Employee Benefits	0.00	0.00	75,767.83
Landfill perpetual care	110,375.26	0.00	0.00
Trust paying agent fees	1,688.98	0.00	0.00
TOTAL EXPENDITURES	<u>112,064.24</u>	<u>0.00</u>	<u>75,767.83</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,866.61)</u>	<u>4,023.43</u>	<u>(55,027.17)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	58,000.00	0.00	70,000.00
Transfers out	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>58,000.00</u>	<u>0.00</u>	<u>70,000.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	54,133.39	4,023.43	14,972.83
FUND BALANCE, JANUARY 1	1,971,495.66	83,452.79	445,262.52
PRIOR PERIOD ADJUSTMENTS	0.00	0.00	0.00
FUND BALANCE, DECEMBER 31	<u>\$ 2,025,629.05</u>	<u>\$ 87,476.22</u>	<u>\$ 460,235.35</u>

PRINICPAL RESIDENCE EXEMPTION	CORRECTIONS OFFICERS TRAINING	REVENUE SHARING RESERVE	AMBULANCE	TOTAL
\$ 206.61	\$ 0.00	\$ 2,041,136.90	\$ 0.00	\$ 5,269,306.50
0.00	0.00	0.00	0.00	142,102.07
0.00	0.00	0.00	0.00	293,975.78
0.00	11,926.11	0.00	0.00	7,463,631.45
0.00	0.00	118,093.35	3,535.02	737,755.43
0.00	0.00	0.00	0.00	184,603.59
0.00	0.00	0.00	192,462.00	348,767.58
<u>206.61</u>	<u>11,926.11</u>	<u>2,159,230.25</u>	<u>195,997.02</u>	<u>14,440,142.40</u>
36.77	0.00	0.00	0.00	750,869.30
0.00	10,681.88	0.00	47,996.84	2,662,796.69
0.00	0.00	0.00	0.00	8,342,613.85
0.00	0.00	0.00	0.00	814,592.42
0.00	0.00	0.00	0.00	367,794.84
0.00	0.00	0.00	0.00	75,767.83
0.00	0.00	0.00	0.00	110,375.26
0.00	0.00	0.00	0.00	1,688.98
<u>36.77</u>	<u>10,681.88</u>	<u>0.00</u>	<u>47,996.84</u>	<u>13,126,499.17</u>
<u>169.84</u>	<u>1,244.23</u>	<u>2,159,230.25</u>	<u>148,000.18</u>	<u>1,313,643.23</u>
0.00	0.00	0.00	47,000.00	2,083,000.00
0.00	0.00	(514,997.00)	0.00	(1,298,966.68)
<u>0.00</u>	<u>0.00</u>	<u>(514,997.00)</u>	<u>47,000.00</u>	<u>784,033.32</u>
169.84	1,244.23	1,644,233.25	195,000.18	2,097,676.55
1,040.60	9,789.60	3,399,837.06	0.00	10,221,011.49
0.00	0.00	0.00	0.00	(61,048.92)
<u>\$ 1,210.44</u>	<u>\$ 11,033.83</u>	<u>\$ 5,044,070.31</u>	<u>\$ 195,000.18</u>	<u>\$ 12,257,639.12</u>

DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt other than that payable exclusively from revenue bonds issued for and serviced by a governmental enterprise.

The County's Debt Service Funds are legal in nature. They are established in accordance with statutes and/or bond indentures. Their use enhances the attractiveness of bonds to prospective buyers resulting, possibly, in a lower rate of interest. Inclusion of a debt service fund provision in the indenture indicates to the buyer that the timing of the acquisition of assets with which to satisfy maturing debt has been formalized and that a sophisticated administrative approach to servicing the debt will be followed.

The County's Debt Service Funds include the 911 Center, District Library and Building Authority Funds.

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
DECEMBER 31, 2006

	911 CENTER	BUILDING AUTHORITY JAIL	DISTRICT LIBRARY	TOTALS
ASSETS				
Cash equivalents	\$ 38,192.50	\$ 204,209.05	\$ 0.00	\$ 242,401.55
Interest receivable	137.74	622.53	0.00	760.27
TOTAL ASSETS	\$ 38,330.24	\$ 204,831.58	\$ 0.00	\$ 243,161.82
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
TOTAL LIABILITIES	0.00	0.00	0.00	0.00
FUND BALANCE				
Undesignated	38,330.24	204,831.58	0.00	243,161.82
TOTAL LIABILITIES AND FUND BALANCE	\$ 38,330.24	\$ 204,831.58	\$ 0.00	\$ 243,161.82

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS
DECEMBER 31, 2006

	911 CENTER	BUILDING AUTHORITY JAIL	DISTRICT LIBRARY	TOTALS
REVENUES				
Interest	\$ 1,549.33	\$ 5,571.20	\$ 0.00	\$ 7,120.53
Rents and fees	<u>154,152.50</u>	<u>337,000.00</u>	<u>0.00</u>	<u>491,152.50</u>
TOTAL REVENUES	<u>155,701.83</u>	<u>342,571.20</u>	<u>0.00</u>	<u>498,273.03</u>
EXPENDITURES				
Principal	90,000.00	350,000.00	5,581.25	445,581.25
Interest	63,552.50	47,425.00	3,919.99	114,897.49
Paying agent fees	<u>1,050.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,050.00</u>
TOTAL EXPENDITURES	<u>154,602.50</u>	<u>397,425.00</u>	<u>9,501.24</u>	<u>561,528.74</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,099.33</u>	<u>(54,853.80)</u>	<u>(9,501.24)</u>	<u>(63,255.71)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>0.00</u>	<u>50,000.00</u>	<u>9,501.24</u>	<u>59,501.24</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	1,099.33	(4,853.80)	0.00	(3,754.47)
FUND BALANCE, JANUARY 1	<u>37,230.91</u>	<u>209,685.38</u>	<u>0.00</u>	<u>246,916.29</u>
FUND BALANCE, DECEMBER 31	<u>\$ 38,330.24</u>	<u>\$ 204,831.58</u>	<u>\$ 0.00</u>	<u>\$ 243,161.82</u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. (Enterprise Fund resources are not included in this category). These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to certain purposes are used only for those purposes and further enables them to report to creditors, and other grantors of Capital Projects Fund revenue, that their requirements regarding the use of the revenue were fully satisfied.

In this category, Mason County administers the transactions of the Building Authority – Jail Construction Fund, Equipment Replacement Fund, Park Improvement Fund, Public Improvement Fund, District Library Improvement Fund, and Medical Care Facility Improvement Fund.

**MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
DECEMBER 31, 2006**

	EQUIPMENT REPLACEMENT	PARK IMPROVEMENT	JAIL CONSTRUCTION
ASSETS			
Cash and cash equivalents	\$ 319,643.25	\$ 25.17	\$ 79,416.31
Investments	1,232,823.47	0.00	0.00
Due from federal	6,159.65	0.00	0.00
Accounts receivable	0.00	11,323.93	0.00
Interest receivable	5,837.96	0.09	337.37
TOTAL ASSETS	\$ 1,564,464.33	\$ 11,349.19	\$ 79,753.68
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 6,016.03	\$ 1,305.29	\$ 0.00
Deposits payable	0.00	0.00	0.00
TOTAL LIABILITIES	6,016.03	1,305.29	0.00
FUND BALANCE			
Undesignated	1,558,448.30	10,043.90	79,753.68
TOTAL FUND BALANCE	1,558,448.30	10,043.90	79,753.68
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,564,464.33	\$ 11,349.19	\$ 79,753.68

PUBLIC IMPROVEMENT	DIST. LIBRARY IMPROVEMENT	M.C.F. IMPROVEMENT	TOTAL
\$ 847,368.89	\$ 44,424.40	\$ 678,811.42	\$ 1,969,689.44
353,298.98	166,646.32	515,968.21	2,268,736.98
0.00	0.00	0.00	6,159.65
0.00	0.00	0.00	11,323.93
<u>7,548.15</u>	<u>763.39</u>	<u>2,938.65</u>	<u>17,425.61</u>
\$ <u>1,208,216.02</u>	\$ <u>211,834.11</u>	\$ <u>1,197,718.28</u>	\$ <u>4,273,335.61</u>
\$ 6,650.00	\$ 0.00	\$ 717.50	\$ 14,688.82
<u>1,431.10</u>	<u>0.00</u>	<u>0.00</u>	<u>1,431.10</u>
<u>8,081.10</u>	<u>0.00</u>	<u>717.50</u>	<u>16,119.92</u>
<u>1,200,134.92</u>	<u>211,834.11</u>	<u>1,197,000.78</u>	<u>4,257,215.69</u>
<u>1,200,134.92</u>	<u>211,834.11</u>	<u>1,197,000.78</u>	<u>4,257,215.69</u>
\$ <u>1,208,216.02</u>	\$ <u>211,834.11</u>	\$ <u>1,197,718.28</u>	\$ <u>4,273,335.61</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
DECEMBER 31, 2006

	EQUIPMENT REPLACEMENT	PARK IMPROVEMENT	JAIL CONSTRUCTION
REVENUES			
Federal and state grants	\$ 18,603.56	\$ 0.00	\$ 0.00
Interest	68,407.86	121.64	4,413.02
Rent	0.00	0.00	0.00
Sale of fixed assets	0.00	0.00	0.00
Other	17,614.00	11,323.93	5,000.00
TOTAL REVENUES	<u>104,625.42</u>	<u>11,445.57</u>	<u>9,413.02</u>
EXPENDITURES			
Capital outlay	323,146.53	15,480.29	225,602.50
TOTAL EXPENDITURES	<u>323,146.53</u>	<u>15,480.29</u>	<u>225,602.50</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(218,521.11)</u>	<u>(4,034.72)</u>	<u>(216,189.48)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	281,325.00	0.00	59,125.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>281,325.00</u>	<u>0.00</u>	<u>59,125.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	62,803.89	(4,034.72)	(157,064.48)
FUND BALANCE, JANUARY 1	<u>1,495,644.41</u>	<u>14,078.62</u>	<u>236,818.16</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,558,448.30</u>	<u>\$ 10,043.90</u>	<u>\$ 79,753.68</u>

PUBLIC IMPROVEMENT	DIST. LIBRARY IMPROVEMENT	M.C.F. IMPROVEMENT	TOTAL
\$ 0.00	\$ 0.00	\$ 0.00	\$ 18,603.56
50,658.94	8,892.14	24,199.41	156,693.01
17,000.00	0.00	0.00	17,000.00
0.00	0.00	75,000.00	75,000.00
<u>5,762.00</u>	<u>0.00</u>	<u>0.00</u>	<u>39,699.93</u>
<u>73,420.94</u>	<u>8,892.14</u>	<u>99,199.41</u>	<u>306,996.50</u>
 188,907.14	 2,250.00	 674,252.07	 1,429,638.53
<u>188,907.14</u>	<u>2,250.00</u>	<u>674,252.07</u>	<u>1,429,638.53</u>
 (115,486.20)	 6,642.14	 (575,052.66)	 (1,122,642.03)
 484,350.00	 35,170.89	 600,000.00	 1,459,970.89
<u>484,350.00</u>	<u>35,170.89</u>	<u>600,000.00</u>	<u>1,459,970.89</u>
 368,863.80	 41,813.03	 24,947.34	 337,328.86
<u>831,271.12</u>	<u>170,021.08</u>	<u>1,172,053.44</u>	<u>3,919,886.83</u>
\$ <u>1,200,134.92</u>	\$ <u>211,834.11</u>	\$ <u>1,197,000.78</u>	\$ <u>4,257,215.69</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the County. Since the services and commodities are supplied exclusively to programs under the County's jurisdiction, they are distinguishable from those services which are rendered to the public in general and which are accounted for in general, special revenue and enterprise funds.

The County's Workers' Compensation Insurance, Self-Insurance Health Fund, Self-Insurance Liability Fund, Medical Care Facility Insurance Fund, Medical Care Facility Disability Insurance Fund, Computer Network Fund and the DPW Revolving Equipment Fund are operated as Internal Service Funds.

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
DECEMBER 31, 2006

	COMPUTER NETWORK	DPW REVOLVING EQUIPMENT	MEDICAL CARE FACILITY INSURANCE
ASSETS			
Cash	\$ 50,023.83	\$ 22,389.03	\$ 118,405.08
Investments	0.00	100,535.19	291,904.80
Accounts receivable	0.00	0.00	0.00
Prepaid items	25.00	0.00	2,670.84
Deposits	0.00	0.00	0.00
Vehicles - net	0.00	48,464.34	0.00
Interest receivable	199.60	495.51	1,027.65
TOTAL ASSETS	\$ 50,248.43	\$ 171,884.07	\$ 414,008.37
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 498.33	\$ 186.10	\$ 275.72
Accrued expenses	423.07	0.00	0.00
Deferred revenue	800.00	0.00	0.00
TOTAL LIABILITIES	1,721.40	186.10	275.72
FUND EQUITY			
Reserved for employee benefits	0.00	0.00	413,732.65
Retained earnings	48,527.03	171,697.97	0.00
TOTAL FUND EQUITY	48,527.03	171,697.97	413,732.65
TOTAL LIABILITIES AND FUND EQUITY	\$ 50,248.43	\$ 171,884.07	\$ 414,008.37

SELF INSURANCE LIABILITY	SELF INSURANCE WORKERS COMP	SELF INSURANCE HEALTH	MEDICAL CARE FACILITY DISABILITY INSURANCE	TOTAL
\$ 184,511.84	\$ 57,345.72	\$ 372,379.60	\$ 34,502.42	\$ 839,557.52
343,667.98	969,357.95	600,971.61	64,502.95	2,370,940.48
2,000.00	0.00	0.00	0.00	2,000.00
0.00	1,604.16	3,049.21	0.00	7,349.21
241,693.32	0.00	0.00	0.00	241,693.32
0.00	0.00	0.00	0.00	48,464.34
1,194.52	6,676.79	5,519.24	157.40	15,270.71
<u>\$ 773,067.66</u>	<u>\$ 1,034,984.62</u>	<u>\$ 981,919.66</u>	<u>\$ 99,162.77</u>	<u>\$ 3,525,275.58</u>
\$ 2,210.00	\$ 1,666.95	\$ 250,933.23	\$ 0.00	\$ 255,770.33
187,281.37	17,663.00	0.00	0.00	205,367.44
0.00	0.00	0.00	0.00	800.00
<u>189,491.37</u>	<u>19,329.95</u>	<u>250,933.23</u>	<u>0.00</u>	<u>461,937.77</u>
583,576.29	1,015,654.67	730,986.43	99,162.77	2,843,112.81
0.00	0.00	0.00	0.00	220,225.00
<u>583,576.29</u>	<u>1,015,654.67</u>	<u>730,986.43</u>	<u>99,162.77</u>	<u>3,063,337.81</u>
<u>\$ 773,067.66</u>	<u>\$ 1,034,984.62</u>	<u>\$ 981,919.66</u>	<u>\$ 99,162.77</u>	<u>\$ 3,525,275.58</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	COMPUTER NETWORK	DPW REVOLVING EQUIPMENT	MEDICAL CARE FACILITY INSURANCE
OPERATING REVENUES			
Interest and fees	\$ 1,883.57	\$ 4,824.38	\$ 23,888.89
Reimbursements	58,850.00	0.00	188.23
Equipment rental	0.00	15,796.87	0.00
TOTAL OPERATING REVENUES	<u>60,733.57</u>	<u>20,621.25</u>	<u>24,077.12</u>
EXPENSES			
Claims and benefits	0.00	0.00	25,367.83
Repairs and maintenance	53,756.36	9,952.16	0.00
TOTAL OPERATING EXPENSES	<u>53,756.36</u>	<u>9,952.16</u>	<u>25,367.83</u>
OPERATING INCOME (LOSS)	<u>6,977.21</u>	<u>10,669.09</u>	<u>(1,290.71)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000.00	0.00	0.00
Transfers out	0.00	0.00	(200,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000.00</u>	<u>0.00</u>	<u>(200,000.00)</u>
NET INCOME (LOSS)	11,977.21	10,669.09	(201,290.71)
RETAINED EARNINGS, JANUARY 1	<u>36,549.82</u>	<u>161,028.88</u>	<u>615,023.36</u>
RETAINED EARNINGS, DECEMBER 31	<u>\$ 48,527.03</u>	<u>\$ 171,697.97</u>	<u>\$ 413,732.65</u>

SELF INSURANCE LIABILITY	SELF INSURANCE WORKERS COMP	SELF INSURANCE HEALTH	MEDICAL CARE FACILITY DISABILITY INSURANCE	TOTAL
\$ 34,840.21	\$ 48,588.67	\$ 29,065.80	\$ 4,131.83	\$ 147,223.35
48,202.03	121.77	59,166.69	0.00	166,528.72
0.00	0.00	0.00	0.00	15,796.87
<u>83,042.24</u>	<u>48,710.44</u>	<u>88,232.49</u>	<u>4,131.83</u>	<u>329,548.94</u>
307,879.11	31,902.70	92,232.69	11,484.03	468,866.36
0.00	0.00	0.00	0.00	63,708.52
<u>307,879.11</u>	<u>31,902.70</u>	<u>92,232.69</u>	<u>11,484.03</u>	<u>532,574.88</u>
<u>(224,836.87)</u>	<u>16,807.74</u>	<u>(4,000.20)</u>	<u>(7,352.20)</u>	<u>(203,025.94)</u>
217,500.00	30,276.68	315,000.00	6,360.87	574,137.55
0.00	0.00	0.00	0.00	(200,000.00)
<u>217,500.00</u>	<u>30,276.68</u>	<u>315,000.00</u>	<u>6,360.87</u>	<u>374,137.55</u>
<u>(7,336.87)</u>	<u>47,084.42</u>	<u>310,999.80</u>	<u>(991.33)</u>	<u>171,111.61</u>
<u>590,913.16</u>	<u>968,570.25</u>	<u>419,986.63</u>	<u>100,154.10</u>	<u>2,892,226.20</u>
<u>\$ 583,576.29</u>	<u>\$ 1,015,654.67</u>	<u>\$ 730,986.43</u>	<u>\$ 99,162.77</u>	<u>\$ 3,063,337.81</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	COMPUTER NETWORK	DPW REVOLVING EQUIPMENT	MEDICAL CARE FACILITY INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 6,977.21	\$ 10,669.09	\$ (1,290.71)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation	0.00	5,027.68	0.00
(Increase) decrease in current assets			
Accounts receivable/Due from state	0.00	1,081.98	0.00
Interest receivable	(159.55)	(282.22)	843.68
Prepaid items	(25.00)	0.00	10,613.19
Deposits	0.00	0.00	0.00
Increase (decrease) in current liabilities			
Accounts payable	19.71	(149.52)	275.72
Accrued expenses	423.07	0.00	(132.00)
Deferred revenue	800.00	0.00	0.00
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>8,035.44</u>	<u>16,347.01</u>	<u>10,309.88</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	<u>5,000.00</u>	<u>0.00</u>	<u>(200,000.00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in investments	<u>0.00</u>	<u>(10,871.29)</u>	<u>171,141.13</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,035.44	5,475.72	(18,548.99)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>36,988.39</u>	<u>16,913.31</u>	<u>136,954.07</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 50,023.83</u></u>	<u><u>\$ 22,389.03</u></u>	<u><u>\$ 118,405.08</u></u>

SELF INSURANCE LIABILITY	SELF INSURANCE WORKERS COMP	SELF INSURANCE HEALTH	MEDICAL CARE FACILITY DISABILITY INSURANCE	TOTAL
\$ (224,836.87)	\$ 16,807.74	\$ (4,000.20)	\$ (7,352.20)	\$ (203,025.94)
0.00	0.00	0.00	0.00	5,027.68
(2,000.00)	0.00	0.00	0.00	(918.02)
(334.66)	2,201.41	(3,663.74)	(3.30)	(1,398.38)
0.00	5,233.81	4,307.38	0.00	20,129.38
51,840.17	0.00	0.00	0.00	51,840.17
2,210.00	1,666.95	30,991.23	0.00	35,014.09
17,763.77	12,579.00	0.00	0.00	30,633.84
0.00	0.00	0.00	0.00	800.00
<u>(155,357.59)</u>	<u>38,488.91</u>	<u>27,634.67</u>	<u>(7,355.50)</u>	<u>(61,897.18)</u>
<u>217,500.00</u>	<u>30,276.68</u>	<u>315,000.00</u>	<u>6,360.87</u>	<u>374,137.55</u>
<u>9,558.33</u>	<u>(47,070.21)</u>	<u>(356,561.89)</u>	<u>(2,700.65)</u>	<u>(236,504.58)</u>
71,700.74	21,695.38	(13,927.22)	(3,695.28)	75,735.79
<u>112,811.10</u>	<u>35,650.34</u>	<u>386,306.82</u>	<u>38,197.70</u>	<u>763,821.73</u>
\$ <u><u>184,511.84</u></u>	\$ <u><u>57,345.72</u></u>	\$ <u><u>372,379.60</u></u>	\$ <u><u>34,502.42</u></u>	\$ <u><u>839,557.52</u></u>

MASON COUNTY, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	CASH	INVESTMENT	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JANUARY 1	\$ 763,821.73	\$ 2,134,435.90	\$ 2,898,257.63
NET INCREASE	<u>75,735.79</u>	<u>236,504.58</u>	<u>312,240.37</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ <u><u>839,557.52</u></u>	\$ <u><u>2,370,940.48</u></u>	\$ <u><u>3,210,498.00</u></u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominately self-supporting by user charges. The significant characteristic of Enterprise Funds is that the accounting system must make it possible to show whether the activity is operated at a profit or loss, similar to comparable private enterprises. Thus, the financial statements of Enterprise Funds are self-contained and creditors, legislators or the general public can evaluate the performance of the municipal enterprise on the same basis as they can the performance of investor-owned enterprises in the same industry.

The County's Delinquent Tax Revolving Fund, Park Operation Fund, Airport Fund, the Public Works Operations and Maintenance Fund, and Delinquent Tax Foreclosure Fund are operated as Enterprise Funds.

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
DECEMBER 31, 2006

	PARK OPERATIONS	PUBLIC WORKS OPERATION AND MAINTENANCE	AIRPORT	DELINQUENT TAX REVOLVING
ASSETS				
Cash	\$ 8,413.62	\$ 203,601.66	\$ 141,300.84	\$ 293,637.78
Investments	0.00	1,174,313.27	0.00	0.00
Premium on investments	0.00	440.00	0.00	0.00
Interest receivable	89.87	12,661.57	519.39	1,029.67
Accounts receivable	0.00	718.59	1,036.74	0.00
Delinquent taxes receivable	0.00	0.00	0.00	737,765.71
Fixed Assets - net	71,733.97	772,175.73	2,493,996.84	0.00
Leases receivable	0.00	3,402,083.09	0.00	0.00
Due from other units and individuals	0.00	135,625.24	0.00	17,314.03
Prepaid items	287.50	0.00	5,266.31	0.00
TOTAL ASSETS	\$ 80,524.96	\$ 5,701,619.15	\$ 2,642,120.12	\$ 1,049,747.19
LIABILITIES AND RETAINED EARNINGS				
LIABILITIES				
Accounts payable	\$ 717.30	\$ 41,621.55	\$ 5,937.76	\$ 0.00
Due to other funds	0.00	10,184.36	0.00	0.00
Due to other units	0.00	0.00	0.00	15,964.18
Due to employees	528.00	0.00	0.00	0.00
Accrued payroll	0.00	0.00	1,262.59	0.00
Accrued interest payable	0.00	43,324.58	7,170.83	0.00
Bonds payable	0.00	3,654,000.00	850,000.00	0.00
TOTAL LIABILITIES	1,245.30	3,749,130.49	864,371.18	15,964.18
RETAINED EARNINGS				
Unreserved	79,279.66	1,952,488.66	1,777,748.94	1,033,783.01
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 80,524.96	\$ 5,701,619.15	\$ 2,642,120.12	\$ 1,049,747.19

DELINQUENT
TAX
FORECLOSURE

TOTAL

\$	126,108.62	\$	773,062.52
	0.00		1,174,313.27
	0.00		440.00
	240.26		14,540.76
	0.00		1,755.33
	0.00		737,765.71
	0.00		3,337,906.54
	0.00		3,402,083.09
	0.00		152,939.27
	0.00		5,553.81
\$	<u>126,348.88</u>	\$	<u>9,600,360.30</u>

\$	4,112.20	\$	52,388.81
	0.00		10,184.36
	0.00		15,964.18
	0.00		528.00
	0.00		1,262.59
	0.00		50,495.41
	0.00		4,504,000.00
	<u>4,112.20</u>		<u>4,634,823.35</u>
	<u>122,236.68</u>		<u>4,965,536.95</u>
\$	<u>126,348.88</u>	\$	<u>9,600,360.30</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	PARK OPERATIONS	PUBLIC WORKS OPERATION AND MAINTENANCE	AIRPORT	DELINQUENT TAX REVOLVING
REVENUES				
Charges for services	\$ 45,424.70	\$ 136,190.63	\$ 21,646.01	\$ 0.00
Rentals	0.00	29,185.00	74,550.99	0.00
Reimbursements	0.00	499,983.05	15,349.30	0.00
Federal grants	0.00	183,000.00	773,690.47	0.00
State grants	0.00	0.00	169,244.79	0.00
Interest and other	24,783.44	66,161.83	6,873.23	353,422.55
TOTAL REVENUES	70,208.14	914,520.51	1,061,354.79	353,422.55
EXPENSES				
Salary and benefits	19,818.19	0.00	59,990.60	0.00
Interest and fees	0.00	0.00	0.00	30,837.63
Contracted services	0.00	496,449.29	52,350.90	0.00
Repairs and maintenance	0.00	0.00	14,904.99	0.00
Utilities and telephone	5,196.04	11,780.68	25,250.10	0.00
Other operating expenses	0.00	300,611.62	167,944.37	0.00
TOTAL EXPENSES	25,014.23	808,841.59	320,440.96	30,837.63
OPERATING INCOME (LOSS)	45,193.91	105,678.92	740,913.83	322,584.92
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	18,000.00	140,650.00	0.00
Transfers out	0.00	0.00	0.00	(118,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	0.00	18,000.00	140,650.00	(118,000.00)
NET INCOME (LOSS)	45,193.91	123,678.92	881,563.83	204,584.92
RETAINED EARNINGS, JANUARY 1	34,085.75	1,824,010.89	872,007.28	829,198.09
PRIOR PERIOD ADJUSTMENTS	0.00	4,798.85	24,177.83	0.00
RETAINED EARNINGS, DECEMBER 31	\$ 79,279.66	\$ 1,952,488.66	\$ 1,777,748.94	\$ 1,033,783.01

DELINQUENT TAX FORECLOSURE	TOTAL
\$ 142,432.11	\$ 345,693.45
0.00	103,735.99
0.00	515,332.35
0.00	956,690.47
0.00	169,244.79
<u>1,718.19</u>	<u>452,959.24</u>
<u>144,150.30</u>	<u>2,543,656.29</u>
0.00	79,808.79
0.00	30,837.63
13,633.88	562,434.07
0.00	14,904.99
0.00	42,226.82
<u>30,960.17</u>	<u>499,516.16</u>
<u>44,594.05</u>	<u>1,229,728.46</u>
<u>99,556.25</u>	<u>1,313,927.83</u>
0.00	158,650.00
<u>0.00</u>	<u>(118,000.00)</u>
0.00	40,650.00
<u>99,556.25</u>	<u>1,354,577.83</u>
22,680.43	3,581,982.44
<u>0.00</u>	<u>28,976.68</u>
<u>\$ 122,236.68</u>	<u>\$ 4,965,536.95</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	PARK OPERATIONS	PUBLIC WORKS OPERATION AND MAINTENANCE	AIRPORT	DELINQUENT TAX REVOLVING
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 45,193.91	\$ 105,678.92	\$ 740,913.83	\$ 322,584.92
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Prior period adjustment	0.00	4,798.85	24,177.83	0.00
Depreciation	908.03	22,314.69	113,527.41	0.00
(Increase) decrease in current assets				
Accounts receivable/Due from State	0.00	27.80	229.73	5,628.50
Delinquent taxes receivable	0.00	0.00	0.00	16,509.84
Interest receivable	(57.25)	(2,079.57)	(404.57)	(1,004.07)
Prepaid items	91.06	0.00	392.23	0.00
Premium on investments	0.00	520.00	0.00	0.00
Due from other units	0.00	(72,536.76)	0.00	(17,314.03)
Due from federal government	0.00	32,000.00	0.00	0.00
Increase (decrease) in current liabilities				
Accrued payable interest	0.00	(595.43)	(187.50)	0.00
Due to other funds	0.00	(52,904.12)	0.00	0.00
Due to other units and individuals	528.00	0.00	0.00	10,902.16
Accrued payroll	0.00	0.00	25.67	0.00
Accounts payable	(1,344.66)	(27,400.75)	(1,478.65)	0.00
Advances from other funds	0.00	0.00	(5,908.36)	0.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>45,319.09</u>	<u>9,823.63</u>	<u>871,287.62</u>	<u>337,307.32</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Lease receivable	0.00	10,159.98	0.00	0.00
Bond payment	0.00	(57,000.00)	(25,000.00)	0.00
Purchase of capital assets	<u>(72,642.00)</u>	<u>(3,614.70)</u>	<u>(967,113.09)</u>	<u>0.00</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(72,642.00)</u>	<u>(50,454.72)</u>	<u>(992,113.09)</u>	<u>0.00</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	<u>0.00</u>	<u>18,000.00</u>	<u>140,650.00</u>	<u>(118,000.00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) decrease in investments	<u>0.00</u>	<u>27,172.41</u>	<u>40,910.05</u>	<u>0.00</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(27,322.91)</u>	<u>4,541.32</u>	<u>60,734.58</u>	<u>219,307.32</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>35,736.53</u>	<u>199,060.34</u>	<u>80,566.26</u>	<u>74,330.46</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 8,413.62</u>	<u>\$ 203,601.66</u>	<u>\$ 141,300.84</u>	<u>\$ 293,637.78</u>

DELINQUENT TAX FORECLOSURE	TOTAL
\$ 99,556.25	\$ 1,313,927.83
0.00	28,976.68
0.00	136,750.13
0.00	5,886.03
0.00	16,509.84
(240.26)	(3,785.72)
0.00	483.29
0.00	520.00
0.00	(89,850.79)
0.00	32,000.00
0.00	(782.93)
0.00	(52,904.12)
0.00	11,430.16
0.00	25.67
4,112.20	(26,111.86)
0.00	(5,908.36)
<u>103,428.19</u>	<u>1,367,165.85</u>
0.00	10,159.98
0.00	(82,000.00)
0.00	(1,043,369.79)
<u>0.00</u>	<u>(1,115,209.81)</u>
<u>0.00</u>	<u>40,650.00</u>
<u>0.00</u>	<u>68,082.46</u>
103,428.19	360,688.50
<u>22,680.43</u>	<u>412,374.02</u>
\$ <u><u>126,108.62</u></u>	\$ <u><u>773,062.52</u></u>

MASON COUNTY, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	CASH	INVESTMENTS	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JANUARY 1	\$ 412,374.02	\$ 1,242,395.73	\$ 1,654,769.75
NET INCREASE (DECREASE)	<u>360,688.50</u>	<u>(68,082.46)</u>	<u>292,606.04</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ <u>773,062.52</u>	\$ <u>1,174,313.27</u>	\$ <u>1,947,375.79</u>

FIDUCIARY FUNDS

Fiduciary Funds are established to administer resources received and held by a governmental unit as the trustee or as the agent for others. Use of these funds facilitates the discharge of responsibilities placed upon the governmental unit by virtue of law or other similar authority.

In this category, Mason County administers the transactions of the Trust and Agency Fund, Tax Collection Fund, Probate Court Trust, and Library Penal Fund.

MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2006

	GENERAL AGENCY	CURRENT TAX COLLECTIONS	LIBRARY PENAL	PROBATE COURT TRUST	TOTAL
ASSETS					
Cash	\$ 461,280.96	\$ 1,521.59	\$ 27,605.66	\$ 14,216.10	\$ 504,624.31
Interest receivable	0.00	0.00	0.00	55.78	55.78
TOTAL ASSETS	\$ 461,280.96	\$ 1,521.59	\$ 27,605.66	\$ 14,271.88	\$ 504,680.09
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Due to State of Michigan	\$ 116,664.16	\$ 0.00	\$ 0.00	\$ 0.00	\$ 116,664.16
Bonds payable	14,250.00	0.00	0.00	0.00	14,250.00
Restitution payable	15,279.14	0.00	0.00	0.00	15,279.14
Undistributed taxes	277,668.43	1,520.20	0.00	0.00	279,188.63
Due to other funds	0.00	0.00	27,557.44	0.00	27,557.44
Due to other units	4,170.14	0.00	48.22	0.00	4,218.36
Other current liabilities	33,249.09	1.39	0.00	14,271.88	47,522.36
TOTAL LIABILITIES	461,280.96	1,521.59	27,605.66	14,271.88	504,680.09
FUND BALANCE					
Unreserved	0.00	0.00	0.00	0.00	0.00
TOTAL FUND EQUITY	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES AND FUND BALANCE	\$ 461,280.96	\$ 1,521.59	\$ 27,605.66	\$ 14,271.88	\$ 504,680.09

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the governmental unit as a whole and not its individual constituent funds. Also, the proceeds of such debt may be spent on facilities which are utilized in the operations of several funds. For these reasons, the amount of such unmatured long-term indebtedness is recorded and accounted for in a separate self-balancing group of accounts titled "General Long-Term Debt Account Group."

**MASON COUNTY, MICHIGAN
STATEMENT OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
DECEMBER 31, 2006**

**AMOUNTS AVAILABLE AND TO BE PROVIDED FOR
PAYMENT OF GENERAL LONG-TERM DEBT**

Amount available for payment of general long-term debt	\$2,729,036.22
Amount to be provided by County and other units of government	<u>2,602,703.30</u>
TOTAL AMOUNTS AVAILABLE AND TO BE PROVIDED	<u>\$5,331,739.52</u>

GENERAL LONG-TERM DEBT PAYABLE

Accumulated compensated absences payable	\$ 643,294.44
District Library Land Contract	74,309.08
1998 Building Authority Bonds – Jail	850,000.00
2003 911 Center Building	1,625,000.00
Post Closure Care - Pere Marquette Landfill Site	675,432.00
Post Closure Care - Scottville Landfill Site	<u>1,463,704.00</u>
TOTAL GENERAL LONG-TERM DEBT PAYABLE	<u>\$5,331,739.52</u>



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
County of Mason,
Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mason County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County of Mason, Michigan's basic financial statements and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mason County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Mason, Michigan's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the County of Mason, Michigan, in a separate letter dated June 26, 2007.

This report is intended solely for the information and use of the management, the Board of Commissioners, Michigan Department of Treasury, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
June 26, 2007

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MASON COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL/GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLENUMBER	FEDERAL CFDA	GRANTORS NUMBER	GRANT PERIOD FROM TO	FEDERAL REVENUE RECOGNIZED	EXPENDITURE
US Department of Health And Human Services Passed Through: Michigan Family Independence Agency: Title IV-D Child Support Enforcement Program: Prosecuting Attorney/FOC Reimbursement Program					
	93.563		01-01-06 12-31-06	\$ 144,449.18	\$ 144,449.18
Title IV-D Incentive Program	93.560		01-01-06 12-31-06 FY 2004-05 FINAL	25,243.00 <u>3,913.00</u>	25,243.00 <u>3,913.00</u>
TOTAL PROGRAM				<u>29,156.00</u>	<u>29,156.00</u>
Federal Emergency Management Agency Passed through: Michigan Department of State Police Emergency Management Assistance Program: Civil Defense					
	97.042		10-01-05 09-30-06 10-01-06 09-30-07	9,365.62 3,906.81	9,365.62 3,906.81
Supplemental payment to Local emergency planning Committee					
	20.703		01-01-06 12-31-06	<u>129.02</u>	<u>129.02</u>
TOTAL PROGRAM				<u>13,401.45</u>	<u>13,401.45</u>
FY 2005 Mason County Michigan Brownfield Assessment U.S. Environmental Protection Agency Brownfields Assessment & Cleannp Cooperative Agreements					
	66.818	BF 96550201	10-01-04 09-30-07	<u>76,420.39</u>	<u>76,420.39</u>
Mason County Comprehensive Plan Update, Coast Management Program National Oceanic and Atmospheric Administration, U.S. Department of Commerce Grant, Passed-through: Michigan Department of Environmental Quality, Environmental Science and Services Division					
	11.419	Project # 05-6217-10	02-01-05 04-30-05	<u>3,750.00</u>	<u>3,750.00</u>
Office of Drug Control Policy Byrne Memorial Formula Grant Program, passed through the Michigan Department of State Police: State, Sheriff's, Chief's Enforcement of Narcotics Team					
	16.579	ODCP Project # 70052-9K98	10-01-04 09-30-05 10-01-05 09-30-06	16,977.00 <u>8,258.00</u>	16,977.00 <u>8,258.00</u>
TOTAL PROGRAM				<u>25,235.00</u>	<u>25,235.00</u>

MASON COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL/GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLENUMBER	FEDERAL CFDA	GRANTORS NUMBER	GRANT PERIOD FROM TO	FEDERAL REVENUE RECOGNIZED	EXPENDITURE
U.S. Department of Transportation, National Highway Traffic Safety Administration, Challenge Award Grant, Passed Through: Michigan Department of State Police: Office of Highway Safety Planning	20.600	PT 06-60	01-26-06 09-30-06	<u>4,589.00</u>	<u>4,589.00</u>
FY 2004 State Homeland Security Grant Program Interoperable Communications Equipment Grant Agreement Passed - Through: Michigan Department of State Police: Emergency Management Assistance Program	97.004	HSGP Grant	04-01-06 08-31-06	<u>21,949.72</u>	<u>21,949.72</u>
2004 State Homeland Security Grant Program Grant Agreement Agency Passed - Through: Michigan Department of State Police: Emergency Management Assistance Program	97.004	HSGP Grant	08-01-04 09-30-05	<u>29,064.42</u>	<u>29,064.42</u>
FY 2005 State Homeland Security Grant Program Grant Agreement Passed- Through: Michigan Department of State Police: Emergency Management Assistance Program	97.067	HSGP Grant	10-01-04 01-31-07	<u>13,060.61</u>	<u>13,060.61</u>
FY 2006 United States Coast Guard Department of Homeland Security Boating Safety Financial Assistance Agreement Passed- Through: Michigan Department of Natural Resources: 2006 Marine Safety Program Grant Agreement	97.012	Boating Safety Financial Assistance	01-01-06 09-30-06	<u>10,000.00</u>	<u>10,000.00</u>
FY 2006 United States Coast Guard Department of Homeland Security Boating Safety Financial Assistance Agreement Passed- Through: Michigan Department of Natural Resources: 2006 Marine Safety Program Grant Agreement - Equipment	97.012	Boating Safety Financial Assistance	01-01-06 09-30-06	<u>12,443.91</u>	<u>12,443.91</u>
Department of Justice, Office of Justice Program, Bureau of Justice Assistance Bullet proof Vest Partnership	16.067		01-01-06 12-31-06	<u>6,159.65</u>	<u>6,159.65</u>
U.S. Department of Agriculture Rural Development, Farmers Home Administration (Direct Program) Water and Waste Disposal Systems for Rural Communities Grant Funds	10.760			<u>183,000.00</u>	<u>183,000.00</u>
TOTAL FEDERAL REVENUES & EXPENDITURES				<u>\$ 572,679.33</u>	<u>\$572,679.33</u>

COUNTY OF MASON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1: AIRPORT PROJECT GRANT

The County of Mason received one block grant funded by the Federal Aviation Administration for the design and construction of the Airport Apron Project. The consultants and contractors are paid directly by the Michigan Department of Transportation and, therefore, the County does not record the grant revenue. The total federal funds committed for these projects for the year ended December 31, 2006 of \$773,690.47 are not included on the Schedule of Federal Financial Awards.

**MASON COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

PROGRAM	FINDINGS/COMPLIANCE	QUESTIONED COSTS
	NONE.	

**COUNTY OF MASON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a unqualified opinion on the general purpose financial statements of the County of Mason.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the County of Mason were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal award programs for the County of Mason expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the County of Mason.
7. The programs tested as major programs included: U.S. Department of Agriculture Water and Waste Disposal System Direct Program CFDA No. 10.760 and Title IV-D Child Support Enforcement Program CFDA No. 93.563.
8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. County of Mason was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
County of Mason
Ludington, Michigan

Compliance

We have audited the compliance of the COUNTY OF MASON, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The County of Mason, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Mason, Michigan's management. Our responsibility is to express an opinion on the County of Mason, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the County of Mason, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Mason, Michigan's compliance with those requirements.

In our opinion, the County of Mason, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the County of Mason, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of County of Mason in a separate letter dated June 26, 2007.

This report is intended for the information of the management, the Board of Commissioners and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Certified Public Accountants

East Lansing, Michigan
June 26, 2007



Layton & Richardson, P.C.

Certified Public Accountants

AUDITORS' LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Commissioners
County of Mason
Ludington, Michigan

We have audited the basic financial statements of Mason County, except for the County Road Commission, for the year ended December 31, 2006, and have issued our reports on those financial statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of Mason County. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of Mason County is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

AUDIT FINDINGS AND RECOMMENDATIONS FROM PREVIOUS AUDITS

- 97-1 Previous audits have noted inadequate separation of duties in various County offices. This situation is common in organizations which have a limited number of employees and may be considered a material internal control weakness without significant additional or alternative procedures in place to offset the existing weaknesses. This condition has not improved from previous years.
- 98-1 Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the general, special revenue and debt service funds, as well as budget amendments as needed to prevent actual expenditures from exceeding appropriated budgets. For the year ended December 31, 2006, actual expenditures exceeded budgeted amounts in the Budget Stabilization, Senior Citizens, Corrections Officer Training and Medical Care Facility Funds. Management response: The result of the actual expenditures exceeding the budgeted amounts was due to the year end accrual journal entries.
- 00-1 The Sheriff's Department is currently writing checks to departing inmates for as little as \$.01. The department should have a petty cash fund to handle such small transactions. This has not been implemented.
- 03-1 Employee forms W-4 are not updated on a regular basis. We recommend requiring employees to submit new forms W-4 every 3 years. This encourages employees to update the forms for any changes in their taxable status and helps ensure that proper income tax amounts are being withheld from employees' paychecks. This has been implemented.

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AUDIT FINDINGS AND RECOMMENDATIONS FROM PREVIOUS AUDITS - Continued

- 04-1 When bond payments are received at the Friend of the Court, a receipt is issued and the money or check is placed in a safe until a court order is received directing the distribution of the funds. Strong internal controls call for deposits to be made timely. We recommend that such receipts be deposited without waiting for the court order. A simple log should be maintained to account for the receipt and subsequent payment of such bonds. Receipts are now transmitted daily to the Treasurer for deposit.
- 04-2 During our testing of disbursements we noted instances of payments being made without an approved invoice, and instances of invoices not being cancelled upon payment. Strong internal controls require all disbursements to be supported by approved invoices (or other appropriately approved documents as necessary). Further, it is important to cancel invoices upon payment to help prevent accidental duplicate payment. This has been implemented.
- 04-3 We noted one instance of Medical Care Facility disbursement being paid without a properly approved invoice. No such instances were noted during this year's audit.
- 05-1 Equalization Department
- We noted during our testing that monies are kept in an unlocked cash box located in an unlocked desk drawer. We recommend the cash box be locked when not being used, and the desk drawer where it is stored be locked when the office is closed. This will strengthen controls over cash receipts and reduce the opportunity for theft. This has been implemented.
- 05-2 Medical Care Facility
- We noted that a cash receipt book was used out of numeric sequential order. We recommend all receipt books and individual cash receipts be used in sequential order. This will strengthen controls over cash receipts by facilitating reconciliation of receipts to deposited amounts. This has been implemented.
- 05-3 Animal Control Shelter
- During our testing at the Animal Control Shelter, we noted that funds received by the department for which a cash receipt is issued and the funds are transmitted to the Treasurer are commingled with the department's imprest cash. Due to a math error in adding amounts from the cash receipts on the manual cash log, an incorrect amount was transmitted to the Treasurer. Additionally, the imprest cash was not reconciled so this error was not detected. We recommend that monies received to be transmitted to the Treasurer be segregated from the imprest cash and that the imprest cash be counted and balanced on a frequent, regular basis. These changes will strengthen controls over cash receipts and help assure proper transmittal to the Treasurer of cash receipts. This has been implemented.